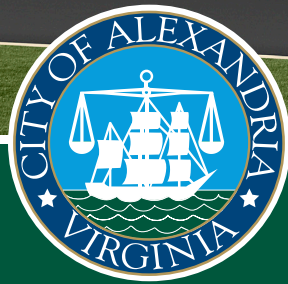


# CITY OF ALEXANDRIA, VIRGINIA



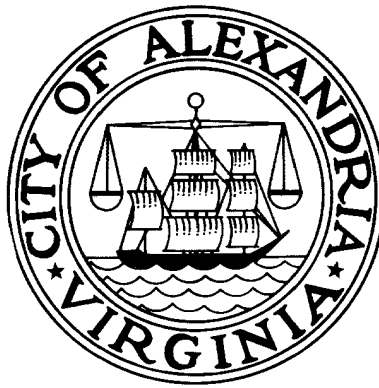
## *Comprehensive Annual Financial Report*

— Fiscal Year Ended June 30, 2010 —

## **THE STATION AT POTOMAC YARD**

The Station at Potomac Yard is a creative approach to meeting multiple community needs in the City of Alexandria, Virginia. The project's innovative mixed-use design, which combines a fire station, 64 units of affordable and workforce rental housing and retail space, maximizes the use of land in a built environment, and is a model of sustainable design and construction that could be easily replicated in other jurisdictions. The project concept has garnered local, national and even international interest from municipalities interested in duplicating the mixed use model. The Station at Potomac Yard has been recognized with several prestigious awards.

**CITY OF ALEXANDRIA, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
JULY 1, 2009 TO JUNE 30, 2010**

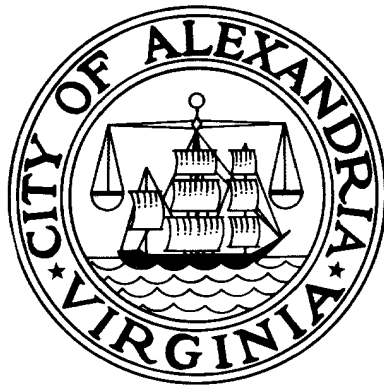


**Alexandria City Council**  
**William D. Euille, *Mayor***  
**Kerry Donley *Vice-Mayor***  
**Redella S. Pepper**  
**Rob Krupicka**  
**Paul C. Smedberg**  
**Frank H. Fannon IV**  
**Alicia R. Hughes**

**City Manager.....James K. Hartmann**  
**Chief Financial Officer .....Bruce Johnson**  
**Director of Finance ..... Laura B. Triggs, CPA**  
**Director of Real Estate Assessments .....Cindy Smith-Page**  
**City Attorney ..... James L. Banks**  
**City Clerk and Clerk of Council..... Jacqueline Henderson**  
**Independent Auditors.....KPMG LLP**

Prepared by the Department of Finance  
Raymond J. Welch, Jr. Comptroller

**[alexandriava.gov](http://alexandriava.gov)**



**CITY OF ALEXANDRIA, VIRGINIA**  
**Comprehensive Annual Financial Report**  
**for the Fiscal Year Ended June 30, 2010**

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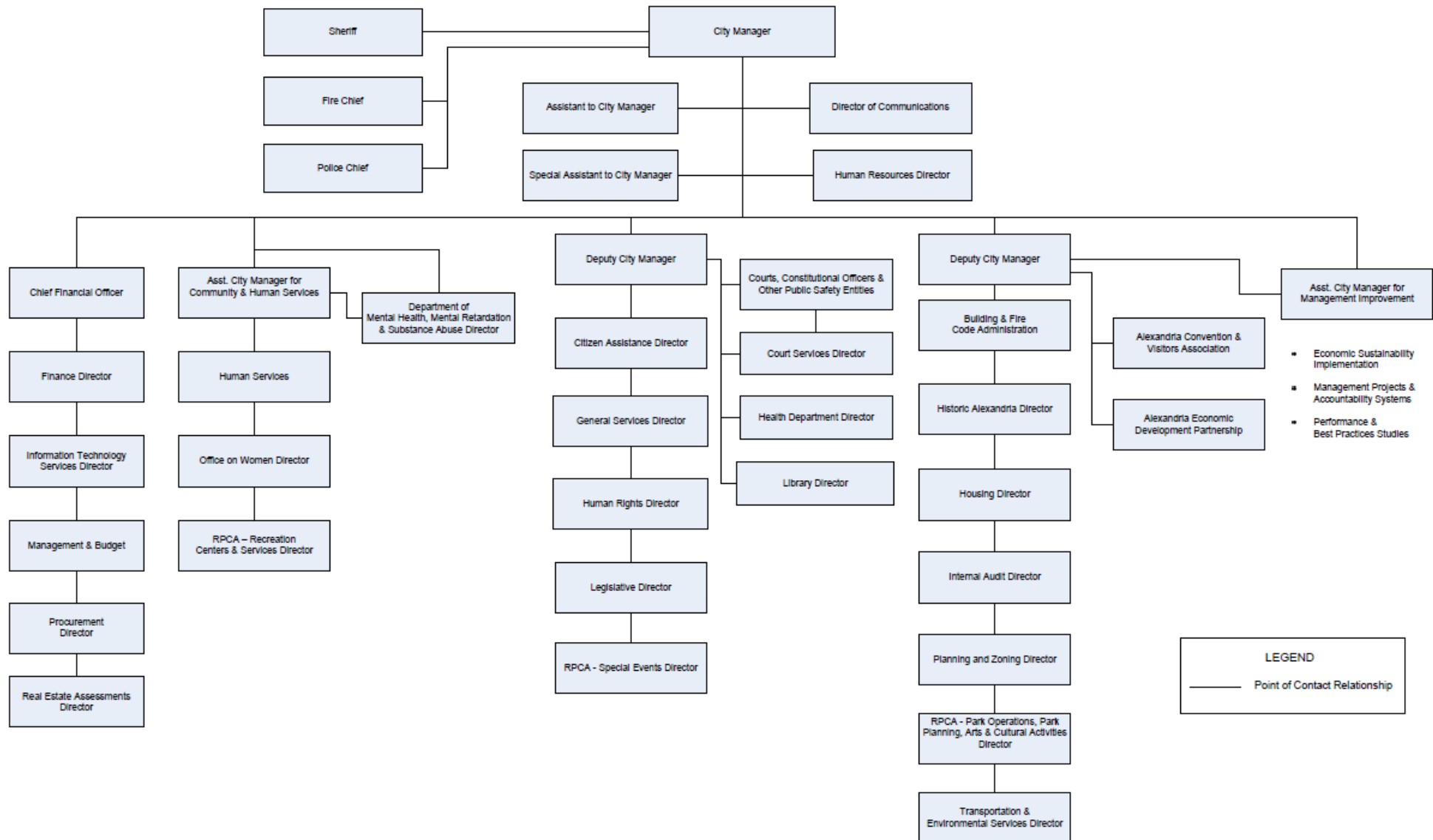
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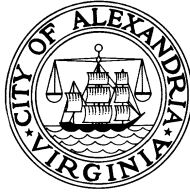
# INTRODUCTORY SECTION

# ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART



**LEGEND**  
 — Point of Contact Relationship





November 23, 2010

To the Honorable Mayor and Members of City Council,  
the Residents and Businesses of the City of Alexandria:

We are pleased to present the City of Alexandria's (the City) **Comprehensive Annual Financial Report** (the CAFR) for the fiscal year ended June 30, 2010. The report is designed to present fairly the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the City's financial affairs.

The Finance Department has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States, which are uniform minimum standards and guidelines for financial accounting and reporting in the United States;
- Governmental accounting and financial reporting statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB); and
- Uniform financial reporting standards for counties, cities and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the City.

## THE CITY

Alexandria, Virginia, which is located on the west bank of the Potomac River across from Washington, D.C., is an integral part of the Washington metropolitan area, serving as a financial, commercial, and transportation center. Alexandria is also one of America's most historic cities. George Washington and George Mason served as two of the City's first Trustees (the forerunner of the Alexandria City Council).

Alexandria is an independent full-service city with sole local government taxing power within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. Alexandria, which was founded in 1749, derives its governing authority from a charter granted by the General Assembly of the Commonwealth of Virginia.

The City adopted the Council-Manager form of government in 1922. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council is composed of a Mayor and six Council Members elected at-large for three-year terms. The Mayor is elected on a separate ballot. City Council appoints the City Manager who serves as the City's chief executive officer and is responsible for implementing the policies established by City Council. The City Charter was first granted in 1852.

The City provides a comprehensive range of municipal services including education, health, welfare, housing and human services programs, public safety and administration of justice, community development, recreation, library, cultural and historic activities, transportation, environmental services, and planning.

## FINANCIAL REPORTING ENTITY

This report includes the financial activities of the City of Alexandria government (the primary government), as well as the financial activities of the City's component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The School Board, the Library System, and the Alexandria Transit Company are reported as discretely presented component units. This report does not include the financial activities of the City's Deferred Compensation Plan, Alexandria Industrial Development Authority, Alexandria Redevelopment and Housing Authority, Alexandria Economic Development Partnership, Inc., Alexandria Sanitation Authority, or Sheltered Homes of Alexandria because the City Council is not financially accountable for these entities, and therefore, these entities are not component units.

## LOCAL ECONOMY

The City's economy, while it has not escaped unscathed from the recession, remains relatively strong compared to the national economy. In part, this is due to Alexandria's geographical location as an inner suburb to Washington, DC. It is also due to the mix of jobs in the City of Alexandria. For example, of Alexandria's total number of positions, almost half are in recession resistant fields, including 18 percent of City positions in professional and technical services fields, 16 percent in the public sector, while another seven percent are in Health Care and five percent are in education. These are all well-paying fields that have been relatively unaffected by the downturn in the economy. One of the City's largest employers is the U.S. Patent and Trademark Office, which, when located in Alexandria in the middle of the decade, added more than 6,000 jobs to the City's economy. The number of positions in Public Administration and also in Health Care has actually increased since the recession began in 2007. On the other hand, the City's construction and manufacturing sectors, which have not fared well, respectively employ only 3.3 percent and 1.4 percent of the total.

One measure of the local economy is how economically sensitive City revenues fared. Despite weak national economic growth and two major snowstorms, FY 2010 collections from the transient lodging tax increased by 1.9 percent compared to FY 2009, while the meals tax was mostly flat, and revenues from the sales tax decreased by 2.3 percent. By Spring 2010, most revenue sources turned positive compared to one year earlier, as the City's economy began to recover.

The hardest hit sector was real estate assessments which generate over half of the City's General Fund revenues. Overall 2010 assessments decreased 7.45 percent compared to 2009, while locally assessed commercial assessments decreased 10.63 percent and residential assessments decreased 5.46 percent. The biggest assessment decreases by category were hotels and office buildings. However, revenues from transient lodging have increased, and the office vacancy rate of 11.3 percent in the 2<sup>nd</sup> quarter, 2010, while higher than one year earlier, appears to have peaked during the 1<sup>st</sup> quarter. The City's unemployment rate of 4.8 percent in June, 2010 was about the same as a year earlier, and a little over half the national unemployment rate.

## MAJOR INITIATIVES

Strong fiscal management remains a hallmark of Alexandria's City government and has enabled the City to respond to revenue declines, address priority needs, including public safety, public education, and modernization of heavily used recreation and library facilities. Alexandria is among a select group of cities in the United States to hold the top AAA/Aaa bond ratings from two of Wall Street's major credit rating agencies (Standard & Poor's and Moody's Investors Service).

During the past fiscal year, the City made progress in a number of important areas, including adding to the investing in affordable housing projects and providing the Transit Authority with a new state of the art facility.

## FINANCIAL CONDITION

The City government continues to be in very sound financial condition as demonstrated by the financial statements and schedules included in this report. Within the context of a fiscally prudent budget and careful management, the City has continued to provide a wide range of services, has achieved many of its program goals, and enhanced the quality of life in the City. The City's cash and investment position was strong throughout a very difficult fiscal year.

The national economic recession and declining local economy continued to exert pressure on maintaining services at existing levels. Keeping existing programs funded and salaries of public employees competitive, and addressing the expanding program needs of the community have required careful budgeting. The City Council has adopted a Strategic Plan to ensure that City resources remain focused on City priorities. The seven goals of the Strategic Plan are:

1. Alexandria has quality development and redevelopment, support for local businesses and a strong, diverse and growing local economy.
2. Alexandria respects, protects and enhances the health of its citizens and the quality of its natural environment.
3. A multimodal transportation network that supports sustainable land use and provides internal mobility and regional connectivity for Alexandrians.
4. Alexandria is a community that supports and enhances the well-being, success and achievement of children, youth and families.
5. Alexandria is financially sustainable, efficient, community oriented and values its employees.
6. The City protects the safety and security of its residents, businesses, employees and visitors.
7. Alexandria is a caring and inclusive community that values its rich diversity, history and culture, and promotes affordability.

Capital investment and the resulting debt service costs are planned to increase in the Approved FY 2011-2020 Capital Improvement Budget. The need for increased operating and capital support to fund the new Public Safety Center is the City's major near term capital challenge. During fiscal year (FY) 2011, revenues are budgeted at about the same as in FY 2010 with revenues budgeted reflecting a lower real estate tax base somewhat offset by an increase in the City real estate tax rate (from 90.3¢ to 97.8¢). While the City believes, in general, that the overall state of most of its infrastructure of streets, bridges, and many public facilities is good, it plans on an increased capital improvement program aimed at maintaining and improving the City's infrastructure. The type of development in the City will also influence future expenditure and revenue levels.

Over the last five years, the City has been able to maintain its fiscal strength as the result of the City Council's adoption of, and subsequent adherence to, the series of financial policies listed on page 10. These policies are aimed at (1) limiting debt and annual debt service requirements and (2) maintaining an appropriate General Fund fund balance so as to retain the City's AAA/Aaa bond ratings and to keep the City on firm financial footing. When City Council initially adopted the financial policies in 1987, the City's general obligation debt as a percentage of the real estate tax base was 1.4 percent. Because of the City use of "pay-as-you-go" financing for many capital projects, the City has maintained superior debt ratios since their implementation in 1987. At the end of FY 2010, the City's debt to tax base ratio was just 1.15 percent with that projected to rise to 1.56 percent in FY 2012 (excluding self-supported sewer project related debt). The City's financial policies encourage the use of surplus General Fund revenues and resources derived from spending less than the full budget to fund capital projects.

Additional information on the City's financial status can be found in the Management's Discussion and Analysis section of this report.

## GENERAL GOVERNMENT FUNCTIONS

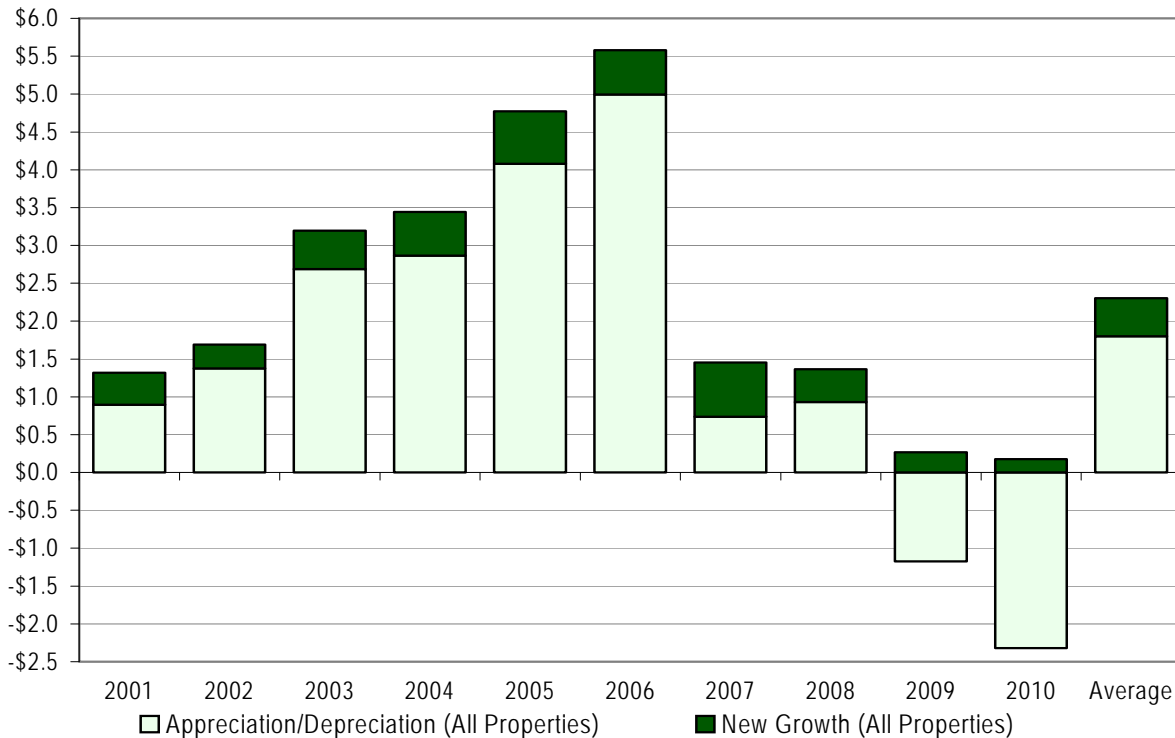
The following table shows that the overall real property assessed value has increased by over \$17 billion since 2001. This includes a 6.3 percent decrease from calendar year 2009 to 2010, which is the second decrease in the tax base since 1995. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the real estate tax is due on June 15 and the second half of the tax is due on November 15.

**CHANGE IN ASSESSED VALUE OF REAL PROPERTY**  
(Amounts in thousands of dollars)

<u>Year</u>	<u>Residential Assessed Value</u>	<u>Residential % Increase (Decrease)</u>	<u>Commercial<sup>1</sup> Assessed Value</u>	<u>Commercial % Increase (Decrease)</u>	<u>Total Assessed Value</u>	<u>Total % Increase (Decrease)</u>
2001	\$ 7,573,897	12.8	\$ 7,058,453	7.3	\$ 14,632,350	10.1
2002	8,889,290	17.4	7,243,699	2.6	16,132,989	10.3
2003	11,191,850	25.9	8,034,076	10.9	19,225,926	19.2
2004	13,245,349	18.3	8,644,147	7.6	21,889,496	13.9
2005	16,272,324	22.9	11,087,327	28.3	27,359,651	25.0
2006	20,331,756	24.9	12,574,963	13.4	32,906,719	20.3
2007	20,205,364	(0.6)	14,037,667	11.6	34,243,031	4.1
2008	20,139,614	(0.3)	14,963,203	6.6	35,102,817	2.5
2009	19,152,518	(4.9)	14,811,680	(1.0)	33,964,198	(3.2)
2010	18,203,922	(5.0)	13,615,344	(8.1)	31,819,266	(6.3)

1. Includes apartment buildings.

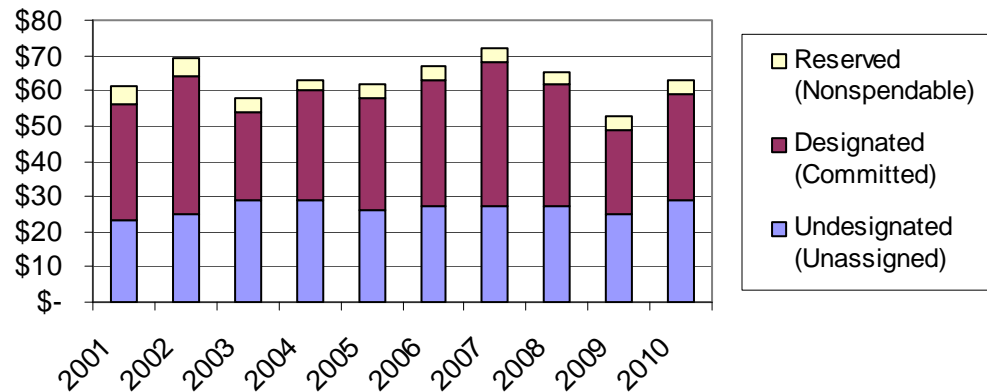
**Change in Total Tax Base**  
Tax Year 2001-2010



This chart displays the increases and decreases in assessed values for the last ten years into appreciation and depreciation of existing properties and new properties. (Each of the bars in the chart is comprised of single year snapshots and is not cumulative. )

The General Fund Unreserved Fund Balance financial policies are one component of the City's overall financial strength and stability. At the end of FY 2010, the City's General Fund fund balance was \$63.0 million and included legal reservations of fund balance of \$4.2 million and a number of designations totaling \$30.5 million, including \$11.0 million designated for future capital funding, leaving a remaining undesignated fund balance of \$28.3 million. At the end of FY 2010 the City's ending General Fund fund balance condition was consistent with the City's established financial policies.

### City of Alexandria General Fund - Fund Balance (in millions)



#### CAPITAL FINANCING AND DEBT MANAGEMENT

In conjunction with the annual operating budget preparation, the City Manager annually prepares a six-year Capital Improvement Plan to provide for the financing of improvements to the City's public facilities. This has been changed to a ten-year Capital Improvement Plan. The first year of the program constitutes the capital budget for the current fiscal year; the remaining nine years serve as a planning guide. The City accounts for capital improvement expenditures in the Capital Projects Fund and finances the projects from the General Fund (including appropriations of Designated Fund Balance), general obligation debt, the sale of surplus property, and intergovernmental grant revenues. The City's Capital Improvement Plan for FY 2011 through FY 2020 represents \$691.8 million of City-funded public improvements to the City's schools, public buildings, parks, and transportation systems. In addition, state and federal grants and other sources, such as prior year City funds, will provide \$15.3 million in additional planned capital funding for the FY 2011-FY 2020 time period.

To continue a strategy of improving and then maintaining the City's creditworthiness, the City Council established the following key target and ceiling ratios as of June 30 of each year:

	<u>Ceiling</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Target</u>
Debt as a Percentage of Fair Market Value	1.6%	0.74%	0.95%	0.75%	0.90%	0.88%	0.90%	0.85%	0.73%	1.12%	1.15%	1.1%
Debt Per Capita as a Percentage of Per Capita Income <sup>1</sup>	4.5%	1.6%	2.2%	2.0%	2.7%	3.1%	3.4%	2.9%	2.6%	3.7%	3.4%	3.2%
Debt Service as a Percentage of General Governmental Expenditures <sup>2</sup>	10.0%	3.1%	3.5%	3.6%	3.6%	4.2%	4.3%	4.5%	4.4%	4.4%	4.9%	8.0%
General Fund Balance as a Percentage of General Fund Revenue:												
Unreserved <sup>3</sup>	10% (floor)	16.6%	17.6%	14.4%	14.6%	13.3%	13.2%	13.4%	12.0%	9.3%	11.1%	N/A
Undesignated <sup>3</sup>	4% (floor)	6.6%	6.8%	7.3%	6.9%	5.9%	5.6%	5.2%	5.2%	4.7%	5.3%	5.5%
Unrestricted												
Net Assets as a Percentage of General Revenue	4% (floor)	8.4%	32.2%	19.8%	18.4%	14.5%	17.7%	19.0%	12.6%	9.4%	11.8%	5.5%

<sup>1</sup> Per capita information from the U.S. Bureau of Economic Analysis, as revised

<sup>2</sup> Data includes School Board and Library component units.

<sup>3</sup> The City is currently updating these policies to reflect new terminology per GASB 54.

The adopted financial policies include the following:

- The City will increase its reliance on current revenue to finance its capital improvements.
- The City will consider a designation for pay-as-you-go capital a priority when additional General Fund resources become available at the end of a fiscal year.
- The City will not use General Fund equity to finance current operations for periods of longer than two years.
- The City will annually prepare a six-year Capital Improvement Plan.
- The City will not issue tax or revenue anticipation notes to fund governmental operations.
- The City will not issue bond anticipation notes for a term of longer than two years.

The City's General Obligation Bonds have the top available ratings which were reaffirmed in July 2010 as follows:

**Moody's Investors Service**  
Aaa

**Standard & Poor's**  
AAA

#### BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The City Charter requires the City Manager to submit a balanced budget to City Council no later than the first regular meeting in April of each year. The School Board prepares the Schools' budget and transmits it to the City Manager. The City Manager then submits his recommendation to City Council for consideration. If Council does not adopt a budget before June 27, the budget submitted by the City Manager for the upcoming fiscal year has full force and effect as if Council had adopted it.

As a management tool, budgetary control is maintained in the General Fund at the character level (i.e., personnel, non-personnel, capital outlays) and by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. Management can transfer appropriations at the department appropriation level without approval from City Council. The City follows a similar procedure with the Special Revenue Fund, but the level of control is at the grant or program level. In the Capital Projects Fund, the level of control is at the project level. With the Schools' budget, the level of control is at the total appropriation level.

City management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute, assurance that these objectives are met. In addition to the examination of controls implemented by members of the Finance Department, the City's Internal Audit staff continually reviews and assesses the soundness and adequacy of the City's financial systems.

#### REPORT FORMAT

The City's Finance Department has prepared this Comprehensive Annual Financial Report in an effort to present all the information necessary to meet the needs of the many persons and groups that have an interest in the City's financial affairs. The objective of this report is to present financial information on a comparative basis with other governmental entities in Virginia and in accordance with established reporting standards. We believe the data is accurate in all material respects and is reported in a manner designed to present fairly the City's financial position and results of operations.

This Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes a list of principal officials, the City's organizational chart, and this transmittal letter. The financial section includes the management's discussion and analysis (MDA), basic, fund, and component unit financial statements, notes to financial statements, budgetary comparison schedules, required supplementary information for public employee retirement systems, and other supplementary information, as well as the independent auditors' report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section contains information on the City and School programs that are financed by federal grants. This information is required by the Single Audit Act Amendments of 1996 and by the Auditor of Public Accounts of the Commonwealth of Virginia.

## INDEPENDENT AUDIT

Section 5.18 of the City Charter requires an annual audit of the accounting and financial records of the City by independent certified public accountants. This section requires the auditors to examine the funds of the City in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the Government Accountability Office's *Government Auditing Standards*. In addition, the auditors must conduct the compliance examinations required by the Single Audit Act Amendments of 1996, the related U.S. Office of Management and Budget's Circular A-133, and the *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

The Alexandria City Council has selected the firm of KPMG LLP to perform these audit services. Their reports are presented in the Financial Section and the Single Audit Section of this report.

### CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Alexandria a Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report (CAFR) for the 32nd consecutive year in 2009. The GFOA awards a Certificate to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative bodies.

To earn a Certificate of Achievement, a CAFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure."

A Certificate is valid for a period of one year only. The City believes our current report continues to conform to the Certificate of Achievement Program requirements and standards. We are submitting it to GFOA to determine its eligibility for another certificate for FY 2010.

### REPORTING REQUIREMENTS

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the City has agreed for the benefit of the owners of City general obligation bonds and joint enterprise waste-to-energy-revenue bonds, to provide each nationally recognized municipal securities information repository and to any appropriate state information depositor, if any is hereafter created, certain financial information not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ended June 30, 1996. The City is currently in compliance with the new arrangement to file this information through the Electronic Municipal Market Access (EMMA) website which is the comprehensive source for official statements, continuing disclosure documents, advance refunding documents and real time trade price information on all municipal securities. This CAFR provides the 15c2-12 general bond obligation bond information, which includes the "Debt Statement" found in Note 9 of Notes to the Financial Statements, a "Five Year Summary of General Fund Revenues and Expenditures" found in Table XXII, a summary of debt found in Table XXIII (Summary of Total General Obligation Bonds Debt Service), and "Tax Revenues by Source" found in Table III.

## ACKNOWLEDGMENTS

We would like to express our appreciation to everyone in the City who assisted with and contributed to the preparation of this report. Special recognition is extended to the Accounting Division for their dedicated pursuit of excellence and leadership in financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bruce Johnson".

Bruce Johnson  
Chief Financial Officer

A handwritten signature in black ink, appearing to read "LB Triggs".

Laura B. Triggs, CPA  
Director of Finance

A handwritten signature in black ink, appearing to read "Raymond J. Welch, Jr.". The signature is written in a cursive style.

Raymond J. Welch, Jr.  
Comptroller



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alexandria  
Virginia

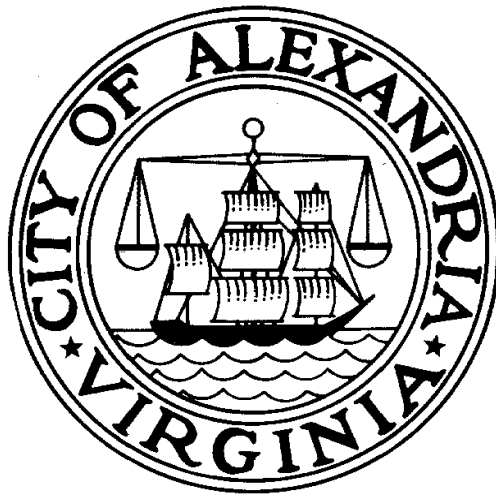
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

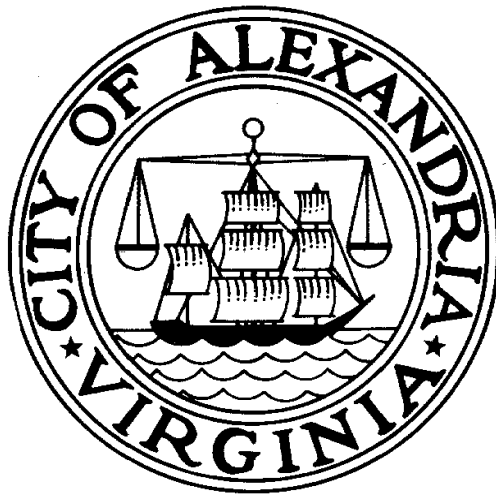


President

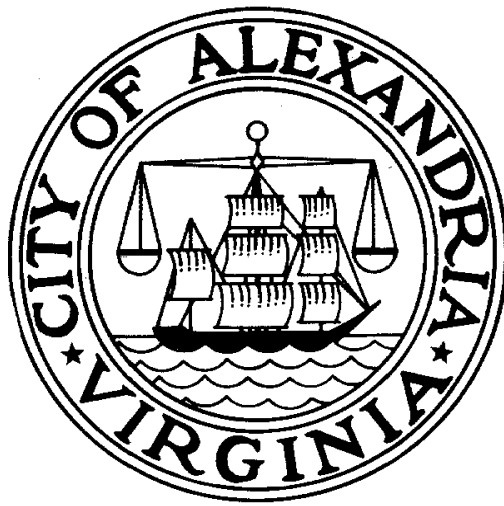
Executive Director



## FINANCIAL SECTION



## **INDEPENDENT AUDITORS' REPORT**





KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

The Honorable Mayor and Members of the City Council  
City of Alexandria, Virginia:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia (the City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements identified in Exhibits I through XII in the Financial Section of the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (Specifications). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. Generally Accepted Accounting Principles.

As discussed in Note 5, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The accompanying management's discussion and analysis, the budgetary comparison schedules and the schedules of funding progress and employer contributions on pages 23 through 30, 102 through 104, and 105 through 107, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. Generally Accepted Accounting Principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information identified as schedules 1, 2, 3 and 4 in the Financial Section of the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

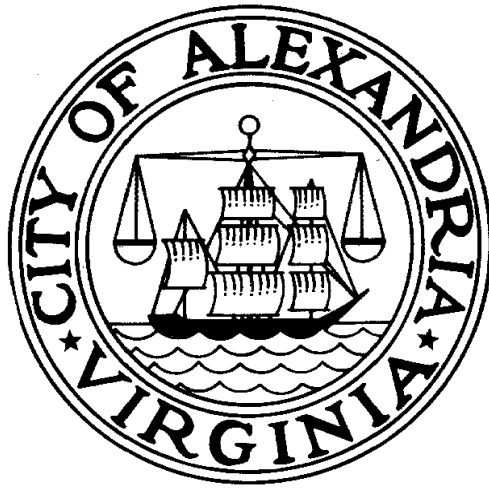
The information identified as the Introductory and Statistical Sections in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

November 12, 2010



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Alexandria's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS FOR FY 2010

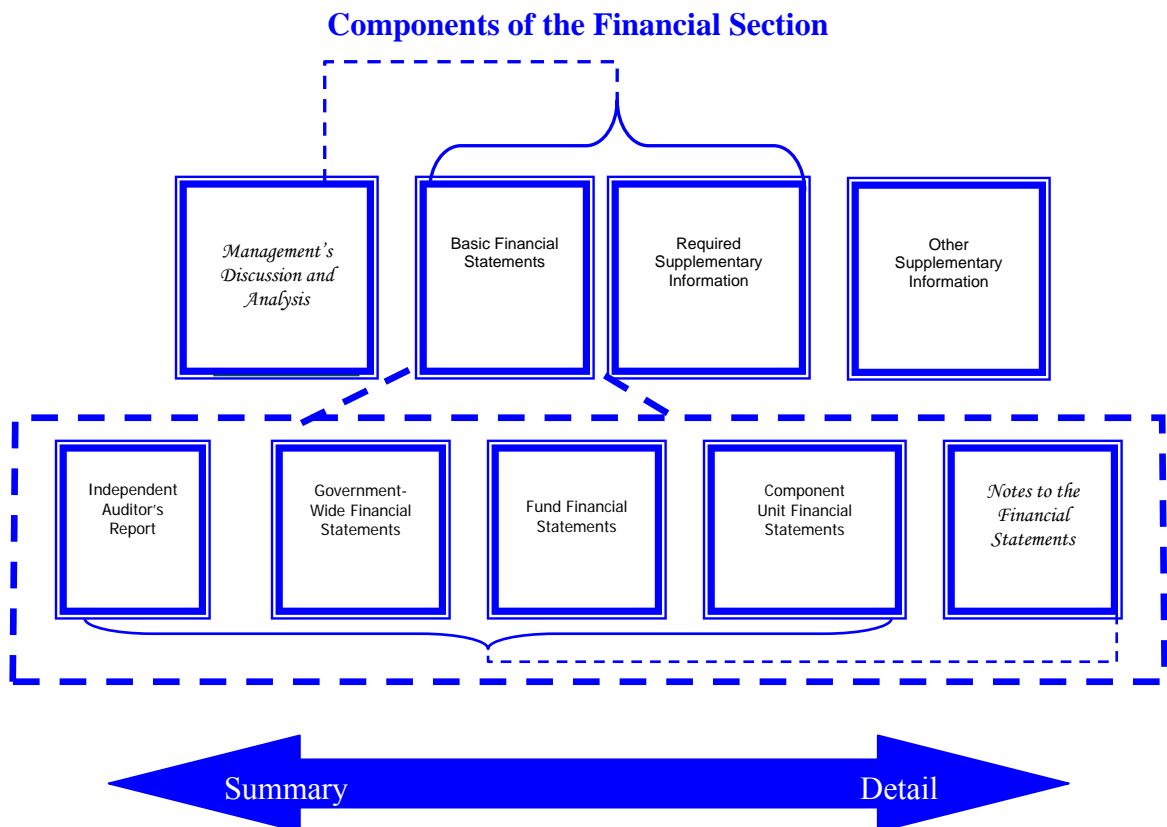
The General Fund, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses by \$9.8 million (Exhibit IV) after making a budgeted \$4.6 million transfer to the capital projects fund and a \$38.3 million transfer to the special revenue fund.

On a government-wide basis for governmental activities, the City's general revenues of \$484.2 million were \$42.0 million more than the \$442.3 million of expenses net of program revenue (Exhibit II).

The City's total net assets, excluding component units, on the government-wide basis, totaled \$377.6 million at June 30, 2010. Of this amount, \$57.3 million is unrestricted (Exhibit I).

### USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and single audit. As the following chart shows, the financial section of this report has four components - *management's discussion and analysis* (this section), the *basic financial statements*, the *required supplementary information* and the *other supplementary information*.



## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. The City's net assets position - the difference between assets and liabilities - is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities include the following:

Governmental activities - Most of the City's basic services are reported here: Police, Fire, Transportation and Environmental Services, Recreation, Parks and Cultural Activities Departments, and general administration. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Component units - The City includes three separate legal entities in its report - the City of Alexandria School Board, the Alexandria Library, and the Alexandria Transit Company. Although legally separate, these "component units" are important because the City is financially accountable for them, and provides operating and capital funding to them. The Alexandria Transit Company component unit is also a proprietary fund.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide additional information about the City's most significant funds - not the City as a whole. The fund financial statements focus on the individual parts of the City government.

The City has three kinds of funds:

Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

Proprietary funds - Services for which the City charges customers or City users a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

The City uses an internal service fund (one kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The Equipment Replacement Reserve Fund is the City's only internal service fund. Its primary purpose is to provide for the accumulation of money to replace capital equipment used in City operations. The Transit Company component unit is considered an enterprise fund since fees are charged to fund the operations.

Fiduciary funds - The City is the trustee, or fiduciary, for its employees' pension plans and employee benefit trusts. It is also responsible for other assets (known as agency funds) that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The City excludes pension plans and agency funds from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Statement of Net Assets:

The following table presents the condensed Statement of Net Assets:

**Table 1**  
**Summary of Net Assets**  
**As of June 30, 2010 and 2009**  
(In millions)

	<b>Primary Government</b>		<b>Component</b>	
	<b>Governmental</b>		<b>Units</b>	
	<b>Activities</b>			
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>Restated</b>		<b>Restated</b>
Current and other assets	\$ 426	\$ 480	\$ 59	\$ 54
Capital assets	<u>639</u>	<u>549</u>	<u>21</u>	<u>23</u>
Total Assets	<u>\$ 1,065</u>	<u>\$ 1,029</u>	<u>\$ 80</u>	<u>\$ 77</u>
Other Liabilities	\$ 286	\$ 277	\$ 33	\$ 29
Long-term liabilities	<u>401</u>	<u>417</u>	<u>11</u>	<u>14</u>
Total Liabilities	<u>\$ 687</u>	<u>\$ 694</u>	<u>\$ 44</u>	<u>\$ 43</u>
Net Assets:				
Invested in Capital assets, net				
of related debt	\$ 248	\$ 153	\$ 21	\$ 23
Restricted	72	135		
Unrestricted	<u>57</u>	<u>47</u>	<u>15</u>	<u>10</u>
	<u>\$ 377</u>	<u>\$ 335</u>	<u>\$ 36</u>	<u>\$ 33</u>

Amounts may not add due to rounding

The City's net assets, (which is the City's bottom line) increased thirteen percent, or \$42 million, to \$377 million. The increase is primarily attributable to the donation of the Monroe Avenue Bridge. Component units net assets increased by \$3 million. The City's capital assets increased \$90 million mainly due to the increase in donated assets indicated above, the inclusion for the first time of the City's intangible assets totaling \$.7 million net, the completion of the new Transit bus Facility and the new Potomac Yard Fire station. Long-term liabilities decreased as no new bonds were issued during 2010 but some debt service was paid (Note 9).

## Statement of Activities

The following chart shows the revenue and expenses of the governmental activities:

**Table 2**  
**Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2010 and 2009**  
**(In millions)**  
**Total**

	<b>Primary Government Governmental Activities</b>		<b>Component Units</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>				
<b>Program revenues:</b>				
Charges for services	\$ 44	\$ 54	\$ 5	\$ 6
Operating grants and contributions	65	63	44	43
Capital grant/contributions	13	20		
<b>General revenues:</b>				
Property taxes	337	335		
Other taxes	114	112		
Other	33	35	2	2
Payment to/from City	-	-	182	187
	<u>\$ 606</u>	<u>\$ 619</u>	<u>\$ 233</u>	<u>\$ 238</u>
<b>Total Revenues</b>				
<b>Expenses</b>				
General Government	\$ 61	\$ 79	\$	\$
Judicial Administration	19	19		
Public Safety	118	120		
Public Works	20	49		
Library	6	7	7	8
Health and Welfare	91	97		
Transit	13	13	13	13
Culture and Recreation	26	28		
Community Development	21	30		
Education	173	174	210	214
Interest on Long-term Debt	16	11		
	<u>\$ 564</u>	<u>\$ 627</u>	<u>\$ 230</u>	<u>\$ 236</u>
<b>Total Expenses</b>	<u>\$ 564</u>	<u>\$ 627</u>	<u>\$ 230</u>	<u>\$ 236</u>
<b>Change in Net assets</b>	<u>\$ 42</u>	<u>\$ (8)</u>	<u>\$ 3</u>	<u>\$ 2</u>
<b>Net Assets beginning of Year</b>	<u>\$ 336</u>	<u>\$ 343</u>	<u>\$ 33</u>	<u>\$ 31</u>
<b>Net Assets end of Year</b>	<u>\$ 377</u>	<u>\$ 335</u>	<u>\$ 36</u>	<u>\$ 33</u>
<b>Restated PY Net Assets including intangible assets</b>	<u>\$ 336</u>			

Amounts may not add due to rounding

## REVENUES

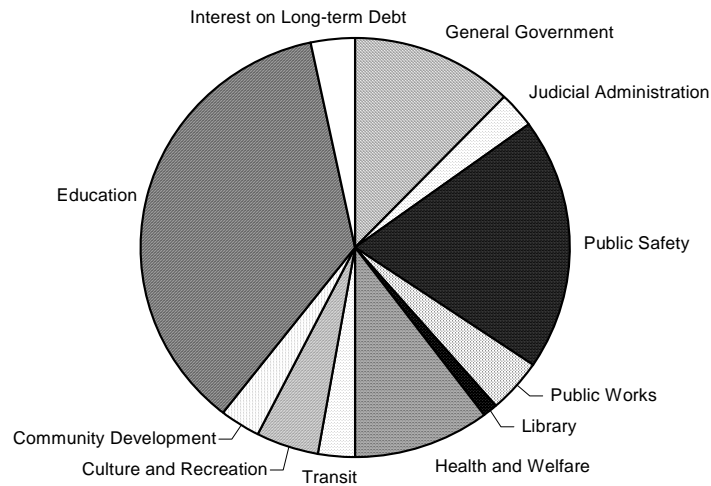
For the fiscal year ended June 30, 2010 revenues from governmental activities totaled \$606 million. Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2009 and the first half of calendar year 2010 real property tax billings, were \$304 million. The increase in tax revenues is primarily attributable to a tax rate increase of 7.5¢.

In addition:

- Charges for services and donations decreased by \$10 million mainly due to the completion of the Potomac Yard Fire station.
- The decrease in capital grants and contributions reflect the completion of reimbursements for the new Transit Facility.

Component units' net assets increased \$3 million primarily from expenditure savings.

#### **Net Expenses for Governmental Activities**



#### **EXPENSES**

For the fiscal year ended June 30, 2010 expenses for governmental activities totaled \$564 million a decrease of \$63 million reflecting the City's focus on judicious spending. For FY 2010 the City decreased resources to most areas.

Education continues to be one of the City's highest priorities. Capital funding included \$1.9 million in addition to the City's operating subsidy to the Schools of \$165.6 million.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

For the fiscal year ended June 30, 2010, the governmental funds reflect a combined fund balance of \$152 million (Exhibit III). The Governmental fund balance decrease of \$61 million is primarily due to the spending of prior year's bond proceeds. In addition, these other changes in fund balance should be noted:

- The General Fund contributed \$4.6 million to pay-as-you-go financing of capital projects.
- The City contributed \$164.6 million to the schools for operations and \$1million for snow clearing.
- The sewer fund contributed \$4.3 million to pay-as-you go capital projects.
- The City spent \$93.0 million in the Capital Projects Fund primarily to fund the new Public Safety facility.

Except for reservations of fund balances (Exhibit III), there are no significant limitations on fund balances that would affect the availability of fund resources for future uses.

## GENERAL FUND AND SPECIAL REVENUE BUDGETARY HIGHLIGHTS

**Table 3**

General Fund Budget (in millions)				Special Revenue Budget (in millions)			
FY 2010				FY 2010			
	Original Budget	Amended Budget	Actual		Original Budget	Amended Budget	Actual
<u>Revenues, Transfers, and Other Financial Sources</u>				<u>Revenues, Transfers, and Other Financial Sources</u>			
Taxes	\$ 329	\$ 329	\$ 337	Intergovernmental	\$ 40	\$ 66	\$ 44
Other Local Taxes	116	116	114	Other	15	18	15
Transfers and Other	83	83	81	Transfers	38	38	38
Total	\$ 528	\$ 528	\$ 532	Total	\$ 93	\$ 122	\$ 97
<u>Expenditures, Transfers, and Other Financial Uses</u>				<u>Expenditures, Transfers, and Other Financial Uses</u>			
Expenditures	\$ 313	\$ 311	\$ 299	Expenditures	\$ 87	\$ 116	\$ 93
Transfers and Other	220	226	223	Transfers and Other	6	6	6
Total	\$ 533	\$ 537	\$ 522	Total	\$ 93	\$ 122	\$ 99
Change in Fund Balance	\$ (5)	\$ (10)	\$ 10	Change in Fund Balance	\$ -	\$ -	\$ (2)

Amounts may not add due to rounding

Expenditures and other financing uses exceeded revenue and other financing sources by \$10 million in the General Fund for FY 2010.

Actual General Fund revenues and other financial sources were above the original budgeted and the amended budget by \$4 million during FY 2010. This is primarily due to an increase in the tax rate for real estate taxes. As a result of supplemental appropriations actual General Fund expenditures and transfers were less than the original budget by \$11 million, while General Fund expenditures were less than the amended budget by \$15 million primarily as a result of fiscal restraint by all City departments.

Actual Special Revenue Fund revenues and other financial sources were above the original budget by \$4 million. As a result of supplemental appropriations actual Special Revenue Fund expenditure and other financial uses were \$25 million less than the amended budget primarily due to the budgeting of multi-year grants. The City incurred \$7.5 million of unbudgeted expenditures related to two major snow storms.

During FY 2010, City Council amended the budget three times. These budget amendments, or supplemental appropriation ordinances, were primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2009 but not paid by that date. Encumbrances for General Fund obligations for purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2009, totaled \$2.0 million.



- To reappropriate monies (\$1.7 million) to pay for projects budgeted for FY 2009 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in FY 2009 or earlier, but not expended or encumbered as of June 30, 2009.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2010.
- To appropriate the designated General Fund balance of \$0.2 million to planned capital projects.

## CAPITAL ASSETS

At the end of FY 2010, the City's governmental activities had invested cumulatively \$639.3 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$89.2 million. In addition for full compliance with the new GASB 51 standard on Intangible assets were added with a net restatement of FY 2009 Capital assets of \$0.7 million.

**Table 4**  
**Governmental Activities**  
**Change in Capital Assets**  
**(In millions)**

	<u>Balance</u> <u>30-Jun-09</u>	<u>Restated</u> <u>30-Jun-09</u>	<u>Net Additions/</u> <u>Deletions</u>	<u>Balance</u> <u>30-Jun-10</u>
Non-Depreciable Assets				
Land and Land Improvements	\$88.8	\$88.8	\$3.2	\$92.0
Construction in Progress	79.2	79.2	11.0	90.2
Other Capital Assets				
Intangible Assets	-	10.9	0.4	11.3
Buildings	382.2	382.2	49.0	431.2
Infrastructure	144.1	144.1	42.3	186.4
Furniture and Other Equipment	59.8	59.8	(2.7)	57.1
Accumulated Depreciation on other Capital Assets	(204.7)	(214.9)	(14.0)	(228.9)
<b>Totals</b>	<b><u>\$549.4</u></b>	<b><u>\$550.1</u></b>	<b><u>\$89.2</u></b>	<b><u>\$639.3</u></b>

Amounts may not add due to rounding

The FY 2010 increase in buildings reflects the completion of the new Transit Bus Facility and The Potomac Yard Fire station. The increase in infrastructure reflects the addition of the new Monroe Avenue Bridge and infrastructure projects.

The FY 2011- FY 2020 Approved Capital Improvement Program (CIP), which was approved by City Council in May 2010, sets forth for the first time a ten-year program with \$692 million in new City funding and \$15 million in other non- City sources for public improvements for the City and the Alexandria Public Schools.

For the purpose of comparison the first six years funding totals \$438 million as compared with \$398 million in the FY 2010-FY 2015 CIP. This represents (in City funding) an increase of approximately \$40 million above the FY 2010-2015 CIP. The CIP also provides an increased capital investment in quality of life initiatives, including open space acquisition, funding affordable housing initiatives and improvement in the storm water infrastructure, to enhance the quality of life in Alexandria-

## LONG-TERM DEBT

At the end of FY 2010, the City had \$364.5 million in outstanding general obligation bonds, a decrease of \$19.5 million, or 5.1 percent, under last year. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

During 2010, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies reaffirmed the City's triple-A bond ratings. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992. Standard and Poor's Financial Management Assessment concluded that the City's financial practices were "strong."

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to ten percent of the assessed value of real property within the City. The City's outstanding debt is significantly below, or less than one-tenth of this state law limit - which would equate to \$3.2 billion for the City.

On July 20, 2010, the City Council issued \$72.3 million in General Obligation bonds. The bonds were issued with an original issue premium of \$1.9 million and a true interest cost of 2.93 percent. The issuance included \$17 million for shorter-term traditional tax-exempt bonds. The issuance also included \$55.3 million in taxable Build America Bonds for which the federal government provides a 35% interest subsidy. The \$72.3 million bonds will be used to finance public school facility improvement; police headquarters; building maintenance; contributions to DASH bus system and Metro bus and rail system; and streets, sewers and other infrastructure costs.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2010. Other short term liabilities represent unclaimed money and deposits.

## ECONOMIC FACTORS

The number of jobs in the City decreased in FY 2010; as of March 2010, the number of Alexandria jobs totalled 95,246 (the latest data available from the Virginia Employment Commission). Tourism has remained relatively flat, with restaurant food tax showing a slight decrease in FY 2010.

As of 2008 (the latest data available from the U.S. Bureau of Economic Analysis), the City's major per capita income of \$72,220 remains one of the highest in the United States, and is the second highest of any major jurisdiction in Virginia. The City's office vacancy rate stood at 10.9 percent by the end of FY 2010, which is lower than the office vacancy rate in Northern Virginia (12.7 percent), as well as the Washington, DC metropolitan area (11.4 percent).

## OTHER INFORMATION

The following regulations came into force during FY 2010.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. See Note 5 for detailed information.

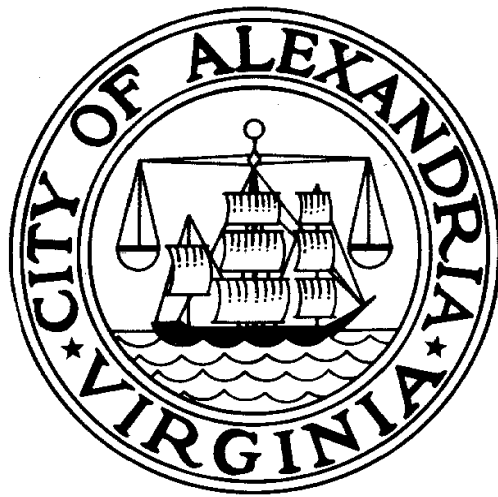
GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The implementation of this statement did not have a material impact on the financial statements.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The implementation of this statement did not have a material impact on the financial statements.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Laura Triggs, Director of the City of Alexandria's Finance Department, City Hall, P.O. Box 178, Alexandria, VA 22313, [laura.triggs@alexandriava.gov](mailto:laura.triggs@alexandriava.gov), telephone (703) 746-3900, or visit the City's web site at [alexandriava.gov](http://alexandriava.gov).

# **BASIC FINANCIAL STATEMENTS**



**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Net Assets**  
**As of June 30, 2010**

**Exhibit I**

	<b>Primary Government Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 104,513,612	\$ 43,371,826
Cash and Investments with Fiscal Agents	72,384,024	2,334,376
Receivables, Net	201,809,978	300,376
Due From Other Governments	41,651,916	5,493,076
Inventory of Supplies	1,827,459	616,633
Prepaid and Other Assets	2,836,779	7,302,506
Capital Assets		
Land and Construction in Progress	182,256,511	7,504,188
Other Capital Assets, Net	457,084,292	13,208,915
Capital Assets, Net	639,340,803	20,713,103
Total Assets	<u>\$ 1,064,364,571</u>	<u>\$ 80,131,896</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 16,339,622	\$ 6,282,980
Accrued Wages	11,424,079	23,406,450
Accrued Liabilities	3,851,798	-
Unclaimed property	-	1,011
Deferred Revenue	218,073,450	530,071
Other Short-term Liabilities	9,129,057	484,183
Deposits	1,550,409	-
Long-term Liabilities Due Within One Year	25,627,538	1,917,108
Long-term Liabilities Due in More Than One Year	400,763,741	11,254,638
Total Liabilities	<u>\$ 686,759,693</u>	<u>\$ 43,876,441</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 248,014,454	\$ 20,713,103
Restricted for:		
Capital Projects	72,269,397	-
Unrestricted Net Assets	57,321,026	15,542,352
<b>TOTAL NET ASSETS</b>	<u><u>\$ 377,604,877</u></u>	<u><u>\$ 36,255,455</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit II**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		Component Units
					Governmental Activities	Total	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 61,110,676	\$ 1,978,631	\$ 669,685	\$ -	(58,462,360)	\$ (58,462,360)	\$ -
Judicial Administration	19,329,520	1,459,199	3,652,885	-	(14,217,436)	(14,217,436)	-
Public Safety	118,339,975	11,128,591	13,726,498	-	(93,484,886)	(93,484,886)	-
Public Works	19,532,232	17,999,459	8,274,862	12,552,777	19,294,866	19,294,866	-
Library	6,074,971	-	-	-	(6,074,971)	(6,074,971)	-
Health and Welfare	90,821,174	6,722,454	34,965,593	-	(49,133,127)	(49,133,127)	-
Transit	13,076,158	-	-	-	(13,076,158)	(13,076,158)	-
Culture and Recreation	25,863,005	3,063,347	307,261	170,209	(22,322,188)	(22,322,188)	-
Community Development	21,022,511	1,563,671	3,615,112	607,027	(15,236,701)	(15,236,701)	-
Education	173,280,682	-	-	-	(173,280,682)	(173,280,682)	-
Interest on Long-term Debt	16,337,588	-	-	-	(16,337,588)	(16,337,588)	-
<b>Total Primary Government</b>	<b>\$ 564,788,492</b>	<b>\$ 43,915,352</b>	<b>\$ 65,211,896</b>	<b># \$ 13,330,013</b>	<b>\$ (442,331,231)</b>	<b>\$ (442,331,231)</b>	<b>\$ -</b>
<b>Component Units:</b>							
Library	\$ 6,639,270	\$ 269,286	\$ 183,661	\$ -	\$ -	\$ -	\$ (6,186,323)
Transit	13,034,301	3,464,894	216,800	-	-	-	(9,352,607)
School Board	210,694,658	1,599,341	43,854,964	-	-	-	(165,240,353)
<b>Total Component Units</b>	<b>\$ 230,368,229</b>	<b>\$ 5,333,521</b>	<b>\$ 44,255,425</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (180,779,283)</b>
<b>General Revenues:</b>							
Taxes:							
General Property Taxes:							
Real Estate					\$ 304,265,013	\$ 304,265,013	\$ -
Personal Property					32,922,488	32,922,488	-
Other Local Taxes:							
Business License Tax					30,295,624	30,295,624	-
Local Sales Tax					22,744,483	22,744,483	-
Meals Tax					14,908,999	14,908,999	-
Transient Lodging Tax					10,824,410	10,824,410	-
Utility Tax					10,462,233	10,462,233	-
Communications Sales Tax					11,315,541	11,315,541	-
Motor Vehicle License, Recordation, and other local taxes					13,820,061	13,820,061	-
Transfer							
Payment from City of Alexandria					-	-	181,450,396
Grants and Contributions Not Restricted to Specific Programs					31,515,322	31,515,322	-
Interest and Investment Earnings					375,991	375,991	129,497
Miscellaneous					787,957	787,957	2,036,280
<b>Total General Revenues</b>					<b>\$ 484,238,122</b>	<b>\$ 484,238,122</b>	<b>\$ 183,616,173</b>
<b>Change in Net Assets</b>					<b>\$ 41,906,891</b>	<b>\$ 41,906,891</b>	<b>\$ 2,836,890</b>
Net Assets at Beginning of Year, as Restated					335,697,986	335,697,986	33,418,565
Net Assets at End of Year					<b>\$ 377,604,877</b>	<b>\$ 377,604,877</b>	<b>\$ 36,255,455</b>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

**Exhibit III**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 72,822,363	\$ 18,823,241	\$ 1,182,795	\$ 92,828,399
Cash and Investments with Fiscal Agents	-	114,627	72,269,397	72,384,024
Receivables, Net	198,041,377	3,689,292	-	201,730,669
Accrued Interest	79,309	-	-	79,309
Due From Other Governments	32,081,147	9,570,769	-	41,651,916
Inventory of Supplies	1,827,459	-	-	1,827,459
Prepaid and Other Assets	91,343	145,742	-	237,085
Total Assets	<u>304,942,998</u>	<u>32,343,671</u>	<u>73,452,192</u>	<u>410,738,861</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 7,246,877	\$ 2,570,233	\$ 6,388,974	\$ 16,206,084
Accrued Wages	9,009,947	2,402,252	11,880	11,424,079
Other Liabilities	8,406,057	-	723,000	9,129,057
Deposits	1,550,409	-	-	1,550,409
Deferred Revenue	215,688,337	4,876,837	-	220,565,174
Total Liabilities	<u>\$ 241,901,627</u>	<u>\$ 9,849,322</u>	<u>\$ 7,123,854</u>	<u>\$ 258,874,803</u>
<b>FUND BALANCES</b>				
Reserved for:				
Capital Projects	\$ -	\$ -	\$ 39,286,809	\$ 39,286,809
Notes Receivable	400,000	2,650,025	-	3,050,025
Inventory of Supplies	1,827,459	-	-	1,827,459
Encumbrances	2,007,557	3,871,845	27,041,528	32,920,930
Unreserved	58,806,355	15,972,479	-	74,778,834
Total Fund Balances	<u>\$ 63,041,371</u>	<u>\$ 22,494,349</u>	<u>\$ 66,328,337</u>	<u>\$ 151,864,057</u>
Total Liabilities and Fund Balances	<u>\$ 304,942,998</u>	<u>\$ 32,343,671</u>	<u>\$ 73,452,191</u>	

**Adjustments for the Statement of Net Assets:**

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)	629,419,082
Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 1)	5,091,418
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. (Exhibit V)	21,473,396
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9)	(430,243,075)
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 377,604,877</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2010**

**Exhibit IV**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
General Property Taxes	\$ 337,220,918	\$ -	\$ -	\$ 337,220,918
Other Local Taxes	114,371,351	-	-	114,371,351
Permits, Fees, and Licenses	4,811,588	-	-	4,811,588
Fines and Forfeitures	3,941,372	-	-	3,941,372
Use of Money and Property	3,033,638	201,445	610,015	3,845,098
Charges for Services	13,803,578	11,002,812	2,180,475	26,986,865
Intergovernmental Revenue	52,465,911	44,261,307	13,330,013	110,057,231
Miscellaneous	787,960	2,852,336	1,854,081	5,494,377
Total Revenues	<u>\$ 530,436,316</u>	<u>\$ 58,317,900</u>	<u>\$ 17,974,584</u>	<u>\$ 606,728,800</u>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	\$ 44,487,379	\$ 728,343	\$ -	\$ 45,215,722
Judicial Administration	17,743,109	1,100,141	-	18,843,250
Public Safety	111,666,800	3,384,983	-	115,051,783
Public Works	33,298,427	9,035,168	-	42,333,595
Library	6,074,971	-	-	6,074,971
Health and Welfare	19,152,519	71,069,187	-	90,221,706
Transit	13,076,158	-	-	13,076,158
Culture and Recreation	20,748,594	1,006,649	-	21,755,243
Community Development	12,594,376	6,720,585	-	19,314,961
Education	165,568,264	-	1,911,676	167,479,940
Debt Service:				
Principal	19,465,000	-	-	19,465,000
Interest and Other Charges	15,123,463	-	-	15,123,463
Capital Outlay	-	-	93,369,996	93,369,996
Total Expenditures	<u>\$ 478,999,060</u>	<u>\$ 93,045,056</u>	<u>\$ 95,281,672</u>	<u>\$ 667,325,788</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 51,437,256</u>	<u>\$ (34,727,156)</u>	<u>\$ (77,307,088)</u>	<u>\$ (60,596,988)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,301,560	38,331,691	8,937,625	48,570,876
Transfers Out	(42,940,615)	(5,913,543)	(25,462)	(48,879,620)
Total Other Financing Sources and Uses	<u>(41,639,055)</u>	<u>32,418,148</u>	<u>8,912,163</u>	<u>(308,744)</u>
Net Change in Fund Balance	<u>9,798,201</u>	<u>(2,309,008)</u>	<u>(68,394,925)</u>	<u>(60,905,732)</u>
Fund Balance at Beginning of Year	53,306,991	24,803,357	134,723,262	
Decrease in Reserve for Inventory	(63,821)	-	-	(63,821)
Fund Balance at End of Year	<u>\$ 63,041,371</u>	<u>\$ 22,494,349</u>	<u>\$ 66,328,337</u>	

**Adjustments for the Statement of Activities:**

Repayment and refunding of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	19,465,000
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded capital expenditures in the current period. (Note 5)	83,236,343
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	(33,417)
Issuance of debt and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 9)	
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 9)	(3,447,781)
Internal service funds are used by management to charge the costs of certain equipment to individual funds. The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)	3,656,299

**Change in Net Assets of Governmental Activities**

\$ 41,906,891

See Accompanying Notes to Financial Statements



**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Net Assets**  
**Proprietary Funds – Internal Service Fund**  
**June 30, 2010**

**Exhibit V**

**ASSETS**

Current Assets:	
Cash and Cash Equivalents	\$ 11,685,213
Total Current Assets	<u>\$ 11,685,213</u>
Capital Assets:	
Buildings and Equipment	\$ 34,653,218
Less Accumulated Depreciation	(24,731,497)
Capital Assets, Net	<u>\$ 9,921,721</u>
Total Assets	<u><u>\$ 21,606,934</u></u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable	\$ 133,538
Total Current Liabilities	<u>\$ 133,538</u>
Total Liabilities	<u>\$ 133,538</u>

**NET ASSETS**

Invested in Capital Assets	\$ 9,921,721
Unrestricted Net Assets	11,551,675
Total Net Assets	<u>\$ 21,473,396</u>
Total Liabilities and Net Assets	<u><u>\$ 21,606,934</u></u>

See Accompanying Notes to Financial Statements

**ASSETS**

Current Assets:	
Cash and Cash Equivalents	\$ 12,056,678
Total Current Assets	<u>\$ 12,056,678</u>
Capital Assets:	
Buildings and Equipment	\$ 33,678,952
Less Accumulated Depreciation	(23,873,863)
Capital Assets, Net	<u>\$ 9,805,089</u>
Total Assets	<u><u>\$ 21,861,767</u></u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable	\$ 303,312
Total Current Liabilities	<u>\$ 303,312</u>
Total Liabilities	<u>\$ 303,312</u>

**NET ASSETS**

Invested in Capital Assets	\$ 9,805,089
Unrestricted Net Assets	11,753,366
Total Net Assets	<u>\$ 21,558,455</u>
Total Liabilities and Net Assets	<u><u>\$ 21,861,767</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds – Internal Service Fund**  
**For the Year Ended June 30, 2010**

**Exhibit VI**

Operating Revenues:	
Charges for Services	\$ 4,092,741
Total Operating Revenues	<u>\$ 4,092,741</u>
Operating Expenses:	
Materials and Supplies	\$ 645,882
Depreciation	3,068,280
Total Operating Expenses	<u>\$ 3,714,162</u>
Operating Income	<u>\$ 378,579</u>
Nonoperating Expenses:	
Loss on Disposal of Capital Assets	\$ (99,304)
Total Nonoperating Expenses	<u>\$ (99,304)</u>
Net Profit/Loss Before Operating Transfers	<u>279,275</u>
Operating Transfers:	
Transfers In	\$ 308,744
Total Net Transfers	<u>\$ 308,744</u>
Change in Net Assets	\$ 588,019
Net Assets at Beginning of Year	20,885,377
Net Assets at End of Year	<u><u>\$ 21,473,396</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2010**

**Exhibit VII**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts From Customers	\$ 4,092,741
Payments to Suppliers	(629,913)
Net Cash Provided by Operating Activities	<u>\$ 3,462,828</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES**

Operating Subsidies and Transfers from Other Funds	<u>\$ 308,744</u>
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**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	<u>\$ (3,599,465)</u>
Net Cash Used By Capital and Related Financing Activities	<u>\$ (3,290,721)</u>

Net Increase in Cash and Cash Equivalents	\$ 172,107
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Cash and Cash Equivalents at Beginning of Year	<u>11,513,106</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$ 11,685,213</u></u>
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**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

Operating Income	\$ 378,579
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Adjustments to Reconcile Operating Income to Net Cash

Provided by Operating Activities:

Depreciation Expense	3,068,280
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Change in Assets and Liabilities:

(Increase) Decrease in Accounts Payable	15,969
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Net Cash Provided by Operating Activities	<u><u>\$ 3,462,828</u></u>
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**Noncash investing, capital and financing activities:**

Capital assets with a net book value of \$99,304 were retired in non-cash transactions during the year in the Internal Service Fund.

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Fiduciary Net Assets**  
**At June 30, 2010**

**Exhibit VIII**

	<b>Employee Retirement Plans</b>	<b>Other Post Employment Benefits</b>	<b>Private- Purpose Trusts</b>	<b>Agency Funds</b>
<b>ASSETS</b>				
Cash and Short-term Investments	\$ -	\$ -	\$ -	\$ 60,078
Investments, at Fair Value:				
U.S. Government Obligations	879,414	-	-	-
LGIP/CDARS/NOW	-	-	5,745	531,005
Mutual Funds	178,766,227	4,918,915	-	-
Stocks	25,563,484	4,818,894	-	-
Guaranteed Investment Accounts	60,952,991	-	-	-
Real Estate	8,614,344	-	-	-
Timber/Private Equity	4,465,874	215,535	-	-
Other Investments	2,320,765	91,588	-	-
Total Investments	<u>\$ 281,563,099</u>	<u>\$ 10,044,932</u>	<u>\$ 5,745</u>	<u>\$ 531,005</u>
Total Assets	<u>\$ 281,563,099</u>	<u>\$ 10,044,932</u>	<u>\$ 5,745</u>	<u>\$ 591,083</u>
<b>LIABILITIES</b>				
Refunds Payable and Other	\$ -	\$ -	\$ -	\$ 591,083
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 591,083</u>
<b>NET ASSETS</b>				
Held in Trust for:				
Pension Benefits	\$ 281,563,099	\$ -	\$ -	
Other Post Employment Benefits	-	10,044,932	-	
Other Purposes	-	-	5,745	
<b>TOTAL NET ASSETS</b>	<u>\$ 281,563,099</u>	<u>\$ 10,044,932</u>	<u>\$ 5,745</u>	

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit IX**

	<u>Employee Retirement Plans</u>	<u>Other Post Employment Benefits</u>	<u>Private- Purpose Trusts</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 18,003,889	\$ 5,300,000	\$ -
Plan Members	2,763,467	-	-
Total Contributions	<u>\$ 20,767,356</u>	<u>\$ 5,300,000</u>	<u>\$ -</u>
Investment Earnings:			
Net Appreciation			
in Fair Value of Investments	\$ 23,538,342	\$ 145,027	\$ -
Interest	5,532,108	183,009	523
Net Investment Income	<u>\$ 29,070,450</u>	<u>\$ 328,036</u>	<u>\$ 523</u>
Total Additions	<u>\$ 49,837,806</u>	<u>\$ 5,628,036</u>	<u>\$ 523</u>
<b>DEDUCTIONS</b>			
Benefits	\$ 16,073,066	\$ -	\$ 570
Refunds of Contributions	2,596,532	-	-
Administrative Expenses	620,662	89,294	-
Total Deductions	<u>\$ 19,290,260</u>	<u>\$ 89,294</u>	<u>\$ 570</u>
Change in Net Assets	<u>\$ 30,547,546</u>	<u>\$ 5,538,742</u>	<u>\$ (47)</u>
Net Assets at Beginning of Year	251,015,553	4,506,190	5,792
Net Assets at End of Year	<u>\$ 281,563,099</u>	<u>\$ 10,044,932</u>	<u>\$ 5,745</u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Net Assets**  
**Component Units**  
**As of June 30, 2010**

**Exhibit X**

	<u>School Board</u>	<u>Library</u>	<u>Transit</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 42,605,229	\$ 163,873	\$ 602,724	\$ 43,371,826
Cash and Investments with Fiscal Agents		2,334,376	-	2,334,376
Receivables	300,376	-		300,376
Due from Other Governments	5,384,581	-	108,495	5,493,076
Inventory of Supplies	114,667	-	501,966	616,633
Prepaid and Other Assets	7,302,506	-	-	7,302,506
Capital assets				
Land and Construction in Progress	999,381	-	6,504,807	7,504,188
Other Capital Assets, Net	6,085,773	-	7,123,142	13,208,915
Capital Assets, Net	<u>\$ 7,085,154</u>	<u>\$ -</u>	<u>\$ 13,627,949</u>	<u>\$ 20,713,103</u>
 Total Assets	 <u>\$ 62,792,513</u>	 <u>\$ 2,498,249</u>	 <u>\$ 14,841,134</u>	 <u>\$ 80,131,896</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 5,908,810	\$ 54,848	\$ 319,322	\$ 6,282,980
Accrued Wages	22,949,786	272,055	184,609	23,406,450
Deferred Revenue	530,071	-	-	530,071
Unclaimed Property	1,011	-	-	1,011
Other Short-term Liabilities		-	484,183	484,183
Long-term Liabilities Due Within One Year	1,917,108	-	-	1,917,108
Long-term Liabilities Due in More Than One Year	11,254,638	-	-	11,254,638
Total Liabilities	<u>\$ 42,561,424</u>	<u>\$ 326,903</u>	<u>\$ 988,114</u>	<u>\$ 43,876,441</u>
<b>NET ASSETS</b>				
Invested in Capital Assets	\$ 7,085,154	\$ -	\$ 13,627,949	\$ 20,713,103
Unrestricted Net Assets	13,145,935	2,171,346	225,071	15,542,352
<b>TOTAL NET ASSETS</b>	<u><u>\$ 20,231,089</u></u>	<u><u>\$ 2,171,346</u></u>	<u><u>\$ 13,853,020</u></u>	<u><u>\$ 36,255,455</u></u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2010**

**Exhibit XI**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	School Board	Library	Transit	Totals
<b>School Board</b>							
Instructional	\$ 210,694,658	\$ 1,599,341	\$ 43,854,964	\$ (165,240,353)	\$ -	\$ -	\$ (165,240,353)
Total School Board	<u>\$ 210,694,658</u>	<u>\$ 1,599,341</u>	<u>\$ 43,854,964</u>	<u>\$ (165,240,353)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (165,240,353)</u>
 <b>Library</b>	 \$ 6,639,270	 \$ 269,286	 \$ 183,661	 \$ -	 \$ (6,186,323)	 \$ -	 \$ (6,186,323)
<b>Transit</b>	<u>13,034,301</u>	<u>3,464,894</u>	<u>216,800</u>	<u>-</u>	<u>-</u>	<u>(9,352,607)</u>	<u>(9,352,607)</u>
Total Component Units	<u>\$ 230,368,229</u>	<u>\$ 5,333,521</u>	<u>\$ 44,255,425</u>	<u>\$ -</u>	<u>\$ (6,186,323)</u>	<u>\$ (9,352,607)</u>	<u>\$ (180,779,283)</u>
 <b>General Revenues:</b>							
Payment From City				\$ 165,555,960	\$ 6,074,971	\$ 7,907,789	\$ 179,538,720
Capital Payment From City				1,911,676	-	-	1,911,676
Interest and Investment Earnings				-	129,497	-	129,497
Miscellaneous				1,996,961	22,141	17,178	2,036,280
Total General Revenues				<u>\$ 169,464,597</u>	<u>\$ 6,226,609</u>	<u>\$ 7,924,967</u>	<u>\$ 183,616,173</u>
Change in Net Assets				\$ 4,224,244	\$ 40,286	\$ (1,427,640)	\$ 2,836,890
Net Assets Beginning of Year				16,006,845	2,131,060	15,280,660	33,418,565
Net Assets End of Year				<u>\$ 20,231,089</u>	<u>\$ 2,171,346</u>	<u>\$ 13,853,020</u>	<u>\$ 36,255,455</u>

See Accompanying Notes to Financial Statements

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Narrative Profile**

The City of Alexandria, located in northern Virginia and bordered by the District of Columbia (Potomac River) and Arlington and Fairfax Counties, was founded in 1749 and incorporated in 1779. With a population of 151,056 and a land area of 15.75 square miles, Alexandria is the 7<sup>th</sup> largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

The City is governed under the City Manager-Council form of government. Alexandria engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

The financial statements of the City of Alexandria, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and U.S. generally accepted accounting principles (GAAP) as specified by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below.

**A. Financial Reporting Entity**

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 requires the following financial statement components:

**Management's Discussion and Analysis** – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

**Government-wide financial statements** – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets (such as buildings and infrastructure, including bridges and roads) and long-term liabilities (such as general obligation debt and unfunded pension costs). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

**Statement of Net Assets** – The Statement of Net Assets displays the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

**Statement of Activities** – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements** – The fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include reconciliation to the government-wide statement, which briefly explains the differences between the fund and government-wide financial statements.

**Budgetary Comparison Schedules** – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have an interest in following the actual financial progress of their governments over the course of the year. The City Council approves revisions to its original budget over the course of the year for a variety of reasons.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each of the City's discretely presented component units has a June 30 fiscal year-end.

**Component Units:**

**City of Alexandria School Board**

Since FY 1995, the Alexandria City School Board (School Board) has been elected. The School Board is substantially reliant upon the City because City Council approves the School Board's total annual budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. The City's primary transaction with the School Board is the City's annual General Fund revenue support, which totaled \$166 million for operations and \$1.9 million for capital equipment in FY 2010.

The APA establishes financial reporting requirements for all localities in the Commonwealth of Virginia. The APA has determined that all Virginia School Boards shall be reported as discretely presented component units of the locality. The APA has also specified additional reporting requirements with respect to School Boards.

**City of Alexandria Library System**

City Council appoints the Library Board (Library) and approves the Library budget. The City is responsible for issuing debt, and acquiring and maintaining all capital items on behalf of the Library. The legal liability for the general obligation debt issued on behalf of the Library remains with the City. The City's primary transaction with the Library is the City's annual operating support, which was \$6.1 million for FY 2010.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Alexandria Transit Company**

The City Council, acting as sole shareholder, elects members of the Alexandria Transit Company's board of directors. City Council approves bus routes, fares, and budgets. The City funds deficits and may issue debt on behalf of the Alexandria Transit Company. The City's primary transactions with the Alexandria Transit Company are the City's annual subsidy, which was \$7.9 million in FY 2010.

Complete financial statements for the School Board and Library component units may be obtained at each entity's administrative offices. The Alexandria Transit Company does not issue separate financial statements and is included as an enterprise fund.

City of Alexandria School Board  
2000 North Beauregard Street  
Alexandria, Virginia 22311

City of Alexandria Library System  
5005 Duke Street  
Alexandria, Virginia 22304-2903

**Excluded from Reporting Entity:**

City Council is not financially accountable for the Deferred Compensation Plan, Alexandria Economic Development Partnership, Alexandria Industrial Development Authority, Alexandria Redevelopment and Housing Authority, Alexandria Sanitation Authority, or Sheltered Homes of Alexandria, Inc. Accordingly, these entities are excluded from the City of Alexandria's financial statements.

**B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a combined basis, and (b) is reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statements presentations provide information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.). Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

specific and discretionary (either operating or capital) grants, while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities, fund balances and net assets, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the City in FY 2010.

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

**a. General Fund**

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board.

**b. Special Revenue Fund**

The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Fund is considered a major fund for reporting purposes. A significant portion of the Special Revenue Fund is used for Health and Welfare programs.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Capital Projects Fund**

The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The Capital Projects Fund is considered a major fund for reporting purposes.

**2. Proprietary Funds**

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net assets, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds to the extent these standards do not conflict with or contradict guidance of the GASB. The City has two proprietary funds – the Internal Service Fund and the component unit Alexandria Transit Company. The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis and is considered an enterprise fund. The City established the Equipment Replacement Reserve Account, the internal service fund, for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This internal service fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. The internal service fund is included in governmental activities for government-wide reporting purposes and is not considered an enterprise fund. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The component unit Alexandria Transit Company is considered an enterprise fund and derives its funding from fare box fees and some support from the City.

**3. Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the City are the John D. Collins Private Purpose Trust Fund, Employee Retirement Funds, the Human Services Special Welfare Account, the Human Services Dedicated Account, the Industrial Development Authority Agency Funds, the Potomac Yard Affordable Housing, and the Potomac Yard Open Space Agency Funds. For accounting measurement purposes, the Private Purpose Trust Fund, the Employee Retirement Funds, and other post employment benefits are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans and the OPEB fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The agency funds held by the City as of end of FY 2010 comprise the following:

***Human Services Special Welfare Account*** – This fund accounts for the current payments of supplemental security income for foster children.

***Human Services Dedicated Account*** – This fund accounts for back payments of supplemental security income for foster children.

***Industrial Development Authority Agency Fund*** – This fund accounts for Industrial Development Authority bond issuance fees and expenses, for which the City acts in a custodial capacity.

***Potomac Yard Affordable Housing*** – This fund accounts for affordable housing donations received from Potomac Yard Development LLC for the purpose of constructing affordable housing.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and Statement of Activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. These operating statements present increases (e.g., revenues or additions) and decreases (e.g., expenses or deductions) in total net assets.

The Statement of Net Assets, Statement of Activities, and the financial statements of the Proprietary Fund and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets and Budgetary Accounting**

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. The School Board appropriation is determined by the City Council and controlled in total by the primary government. On June 13, 2009, the City Council formally approved the original adopted budget (which had been initially approved on April 27, 2009) and on June 12, 2010 approved the revised budget reflected in the required supplemental information. Budgets are prepared for the Capital Projects Fund on a project basis, which covers the life of the project. A Capital Projects Fund appropriation does not lapse until an appropriation reduction is approved by City Council.

**Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. These encumbrances are subject to reappropriation by Council ordinance in the succeeding fiscal year.

**E. Equity in Pooled Cash and Investments**

Cash resources of the individual funds, including imprest cash of \$19,965 and excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, and discretely presented component units (School Board, Library, and Alexandria Transit Company), are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of the State Treasurer's Local Government Investment Pool (LGIP) and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

The Library maintains separate cash and investment accounts consisting of cash and obligations of the federal government and corporate bonds and stocks recorded at fair value. All cash and investments held with fiscal agents for the primary government and its discretely presented component units are recorded at fair value.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The fair value of investments is based on quoted market prices. All investments in external investment pools are reported at fair value.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Allowance for Uncollectible Accounts**

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2010, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Real Property	\$ 619,278
Personal	14,691,285
Penalties and Interest	<u>1,238,818</u>
Total taxes	\$ 16,549,381
Accounts Receivable	2,623
Notes Receivable	<u>9,000</u>
	<u>\$ 16,561,004</u>
SPECIAL REVENUE FUND:	
Housing Fund Notes Receivable	<u>\$ 35,947,673</u>
CAPITAL PROJECTS FUND:	
Capital Projects Fund Notes Receivable	<u>\$ 1,475,000</u>

The component units' accounts receivable are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

**G. Inventory of Supplies and Prepaid and Other Assets**

**Primary Government**

Inventories of consumable supplies are recorded at cost (determined on a first in, first out basis). Inventory in the General Fund consists of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Reported inventories in the General Fund are equally offset by a reservation of fund balance. Purchases of non-inventory items are recorded as expenses or expenditures under the purchase method. Prepaid expenditures in reimbursable grants are offset by unearned revenues until expenses or expenditures are recognized.

**Component Units**

Inventory for the School Board is comprised of food and commodities on hand pertaining to the Child Nutrition Cluster of programs. Inventories of consumable supplies are recorded at cost using the weighted average method. Inventories received from the U.S. Department of Agriculture are recorded at fair market value when received and the amounts consumed are recorded as revenue. The amounts of unused food commodities are reported as inventory and deferred revenue.

Inventory for the Alexandria Transit Company is comprised of parts and operating materials held for consumption. These inventories are costed by methods that approximate average cost or market value, whichever is lower.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Other assets in the government-wide statements also include taxes receivable discussed in Note 4 and deferred interest on refunding bonds discussed in Note 9. The total adjustment to these assets was comprised of the following:

Taxes receivable	\$ 2,491,724
Deferred interest	<u>2,599,694</u>
Total adjustment	<u>\$ 5,091,418</u>

**H. Capital Assets**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	40 years
Infrastructure .....	25 years
Furniture and Other Equipment .....	3-20 years

To the extent the City's capitalization threshold of \$5,000 is met, capital outlays of the Internal Service Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds and the government-wide financial statements using the straight-line method and the following estimated useful lives:

Leasehold Improvements.....	3-40 years
Equipment.....	3-20 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City uses the proceeds from the sale of historical treasures or works of art to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**I. Compensated Absences**

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds' matured compensated absences liabilities are recorded as other liabilities in the General and Special Revenue Funds. The current and noncurrent portions are recorded in the government-wide financial statements. This includes the discretely presented component unit Library, since the City funds all Library personnel costs.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The component unit School Board accrues matured compensated absences (annual, personal, and sick leave benefits) when vested. The current and noncurrent portions of compensated absences are recorded in the School Board component unit government-wide financial statements.

The component unit Transit accrues annual and sick leave benefits in the period in which they are earned.

**J. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

**K. Fund Balance**

**Reservations of Fund Balance**

Except for those required to comply with accounting standards, all reservations and designations of fund balances reflect City Council action in the context of adoption of the City's budget.

**Approved Capital Projects** – These monies have been reserved for capital projects that City Council has already approved.

**Notes Receivable** – These monies have been reserved for notes receivable not expected to mature in the current fiscal year.

**Inventory of Supplies** – These monies have been reserved for reported inventories in the General Fund to comply with accounting standards.

**Encumbrances** – These monies have been reserved for goods and services encumbered, or ordered, before the end of the fiscal year, for which delivery of goods and services had not been made prior to the close of the fiscal year.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Designations (Commitments and Assignments of Fund Balance)**

General Fund Commitments at June 30, 2010 consisted of the following:

Subsequent Fiscal Years' Operating Budgets	
FY 2011 – Operating Budget	\$ 4,744,291
FY 2012 – Operating Budget	2,000,000
Subsequent Fiscal Years' Capital Program	
FY 2011 & Beyond	10,971,240
Self-Insurance	5,000,000
Retiree Health and Life (OPEB)	3,700,000
Fiscal Year 2011 Natural Disasters/Emergencies	1,000,000
King Street Gardens	25,000
Storm Water Utility Fund	783,660
Ongoing Projects	<u>2,255,523</u>
Total Designations	<u>\$ 30,479,714</u>

**Subsequent Fiscal Year's Operating Budget** – On June 12, 2010, City Council approved the FY 2011 Appropriations Ordinance, which appropriated \$4.7 million of General Fund Balance to meet anticipated expenditures. An additional \$2.0 million has been designated (assigned) for FY 2012.

**Subsequent Fiscal Years' Capital Program** – These monies (\$11.0 million) have been designated (assigned) in the Approved FY 2011 – 2020 Capital Improvement Program Funding Plans to fund a portion of the capital improvement program in FY 2011 and beyond.

**Self – Insurance** – These monies (\$5.0 million) have been designated (assigned) for reserves for the City's self-insurance program.

**Retiree Health and Life (OPEB)** - These monies (\$3.7 million) have been designated (assigned) as part of the City's efforts to fund a health and life insurance benefit trust.

**King Street Gardens** – These monies (\$25,000) have been designated (assigned) for the King Street Gardens.

**Storm Water Utility Fund** – These monies (\$783,660) have been designated (assigned) for storm water improvement projects.

**Ongoing Projects** – These monies (\$2.3 million) have been designated (assigned) for projects for which funding was available in the FY 2010 budget, but not completed as of the end of the fiscal year.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Short Term Liabilities**

Short Term Liabilities include unclaimed funds. The City did not have any short term debt during FY 2010.

**M. Pollution Remediation**

The City has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The implementation of GASB Statement no. 49, did not have a material impact on the financial statements of the City.

**NOTE 2. LEGAL COMPLIANCE – BUDGETS**

After a public hearing and several work sessions, the City Council adopts an annual budget no later than June 27 for the succeeding fiscal year to commence July 1. Transfers of appropriations among departments or projects are made throughout the fiscal year by the City Council. The City Council may also approve supplemental appropriations. In FY 2010, the Council approved a reappropriation of prior fiscal year encumbrances as well as various other supplemental appropriations. The City Manager has authority to transfer appropriations within each department. In FY 2010, a number of intradepartmental transfers were made.

**NOTE 3. DEPOSITS AND INVESTMENTS**

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on the funds' average monthly balances. A "zero balance account" mechanism provides for daily sweeps of deposits made to City checking accounts, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's general account are invested at all times. Exceptions to this are funds in the Library System's checking account, the School Student Activity Fund account, and some bank accounts administered by the Human Services Department. The City's pooled portfolio also excludes pension plans.

**A. Deposits**

**Primary Government**

At June 30, 2010, the carrying value of the City's deposits was negative \$91,048 and the bank balance was \$2,658,084. The carrying value of the City's deposits represents checks outstanding. This amount will fluctuate depending on the difference between checks issued and checks paid. The funds for these checks remain invested until the checks are presented for payment at the bank. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (The Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured.

**Component Units**

At June 30, 2010, the carrying value of deposits for the School Board was negative \$1,496,760 and the bank balance was \$0. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

At June 30, 2010, the carrying value of deposits and bank balance for the Library was \$257,124. Of this amount, \$257,124 was collateralized at 102 percent with U.S. government agency securities as part of a repurchase agreement with Burke and Herbert Bank and Trust Company.

Transit deposits are included in the City's pooled cash and investments.

**B. Investments**

State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and repurchase agreements fully collateralized in obligations of the United States and agencies thereof, CDARS and NOW accounts.

During fiscal year 2010 most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS and NOW accounts where deposits are eligible for FDIC insurance.

The City and its discretely presented component units maintain nine pension plans. The plan provisions allow the assets of the pension plans to be invested by the pension carriers in accordance with provisions of the Code of the Commonwealth of Virginia. The Plans' investments are exposed to various risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

The City and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year.

**Credit Risk** – State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and Virginia Local Government Investment Pool. The City's current investment policy

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

limits investments to obligations of the United States and agencies thereof, commercial paper, and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service, is a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to \$50 million) and NOW accounts (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit). During the fiscal year, the City held its investments in (LGIP), CDARS and NOW accounts. The investments for five of the City's seven pension plans are handled by Prudential, a company with an A (Excellent) rating, one of the top three, by A.M. Best rating agency. The investments for the two defined contribution plans are directed by employees and are invested in mutual funds and guaranteed investment accounts. The City has directed Prudential to invest funds for the other three defined benefit pension plans in guaranteed investment accounts and mutual funds. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS). Investments for the Firefighters and Police Officers Pension Plan - Disability Component were held at Sun Trust Bank mostly in bonds (U.S., municipal and corporate) and domestic equities. Some of the investments were moved to Prudential before the end of the year. SunTrust Bank also handles investments for OPEB trust fund for the City.

**Custodial Risk** – For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP, CDARS and NOW accounts. In the event the City has to invest in a local bank, the City requires a designated portfolio manager and that at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

As of June 30, 2010, the City had the following cash, investments and maturities:

**Primary Government**

	<b>Investment Maturities (in years)</b>			
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Long term</b>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 46,858,692	\$ 46,858,692	\$ ---	\$ ---
CDARS	33,991,685	33,991,685	---	---
NOW Accounts	24,291,033	24,291,033	---	---
Total Investments Controlled by City	\$ 105,141,410	\$ 105,141,410	\$ ---	\$ ---
OPEB Trust Investments	10,044,932	---	---	10,044,932
Pension Plan Investments (Exhibit VIII)	\$ 281,563,099	\$ ---	\$ ---	\$ 281,563,099
Total	<u>\$ 396,749,441</u>	<u>\$ 105,141,410</u>	<u>\$ ---</u>	<u>\$ 291,608,031</u>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks	(91,048)
Cash With Fiscal Agent	<u>72,444,102</u>
Total Deposits and Investments	<u>\$ 469,102,495</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

**Component Unit**  
**School Board**

	<b>Investment Maturities (in years)</b>		
	<b><u>Fair Value</u></b>	<b><u>Less than 1 year</u></b>	<b><u>1-5 years</u></b>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 19,653,730	\$ 19,653,730	\$ ---
CDARS	14,258,765	14,258,765	---
NOW Accounts	10,189,494	10,189,494	---
Total Investments Controlled by City	<u>\$ 44,101,989</u>	<u>\$ 44,101,989</u>	<u>\$ ---</u>

The cash and investments for the Schools' fiduciary responsibilities are not included in the basic financial statements in accordance with the governmental accounting principles. The financial statements for the Schools' fiduciary responsibilities are available from the School Board.

**Other Component Units**

	<b>Investment Maturities (in years)</b>		
	<b><u>Fair Value</u></b>	<b><u>Less than 1 year</u></b>	<b><u>1-5 years</u></b>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 338,253	\$ 338,253	\$ ---
CDARS	249,550	249,550	---
NOW Accounts	178,794	178,794	---
Total Investments Controlled by City	<u>\$ 766,597</u>	<u>\$ 766,597</u>	<u>\$ ---</u>

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2010:

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Fiduciary Activities</u></b>	<b><u>Total</u></b>
<b>Primary Government</b>				
Cash on Hand and In Banks	\$ (91,048)	\$ ---	\$ ---	\$ (91,048)
Cash and Investments	104,604,660	---	536,750	105,141,410
Cash and Investments with Fiscal Agents	72,384,024	---	291,668,109	364,052,133
Total	<u>\$ 176,897,636</u>	<u>\$ ---</u>	<u>\$ 292,204,859</u>	<u>\$ 469,102,495</u>
<b>Component Unit School Board</b>				
Cash on Hand and In Banks	\$ (1,496,760)	\$ ---	\$ ---	\$ (1,496,760)
Cash and Investments Controlled by City	44,101,989	---	---	44,101,989
Total	<u>\$ 42,605,229</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 42,605,229</u>
<b>Other Component Units</b>				
Cash and Investments Controlled by City	\$ 163,873	\$ 602,724	\$ ---	\$ 766,597
Cash and Investments with Fiscal Agents	2,334,376	---	---	2,334,376
Total	<u>\$ 2,498,249</u>	<u>\$ 602,724</u>	<u>\$ ---</u>	<u>\$ 3,100,973</u>
Grand Total				<u>\$ 514,808,697</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 4. RECEIVABLES**

Receivables at June 30, 2010 consist of the following:

**Primary Government**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Project</b>	<b>Total</b>
<b>Taxes</b>				
Real Property	\$ 157,931,740	\$ ---	\$ ---	\$ 157,931,740
Personal Property	44,099,076	---	---	44,099,076
Penalties and Interest	2,777,148	---	---	2,777,148
Other	619,388	---	---	619,388
<b>Total Taxes</b>	<b>\$ 205,427,352</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ 205,427,352</b>
Accounts	\$ 8,766,029	\$ 1,039,267	\$ ---	\$ 9,805,296
Interest	79,309	---	---	79,309
Intergovernmental	32,081,147	9,570,769	---	41,651,916
Notes	409,000	38,597,698	1,475,000	40,481,698
<b>Gross Receivables</b>	<b>\$ 246,762,837</b>	<b>\$ 49,207,734</b>	<b>\$ 1,475,000</b>	<b>\$ 297,445,571</b>
Less: Allowance for Uncollectibles	16,561,004	35,947,673	1,475,000	53,983,677
<b>Net Receivables</b>	<b>\$ 230,201,833</b>	<b>\$ 13,260,061</b>	<b>\$ ---</b>	<b>\$ 243,461,894</b>

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 8.1 percent of the total taxes receivable at June 30, 2010 and is based on historical collection rates. Almost all of the uncollectible taxes derive from personal property taxes. Almost all of the real property tax receivables as of June 30, 2010 represent the second-half payment due for real estate taxes on November 15, 2010.

Receivables on a government-wide basis include taxes receivable of \$3.0 million that are not available to pay for current period expenditures and, therefore, are offset by the unearned revenue for the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis do not include approximately \$0.03 million of taxes that are considered current financial resources, and therefore, are reported in the governmental funds. This comprises:

Real Estate tax receivables	\$ (731,814)
Personal Property tax receivables	<u>765,231</u>
Total	<u>\$ 33,417</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 4. RECEIVABLES (Continued)**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also include unearned revenue related to resources that have been received but not yet earned. At the end of FY 2010 unearned revenue in the governmental funds consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes, net of related allowances	\$ 210,677,015	\$ 4,594,778	\$ 215,271,793
Grant proceeds received prior to completion of eligibility requirements	---	5,293,381	5,293,381
Total unearned revenue for governmental funds	<u>\$ 210,677,015</u>	<u>\$ 9,888,159</u>	<u>\$ 220,565,174</u>

**Component Units**

Receivables at June 30, 2010 consist of following:

	<u>School Board</u>	<u>Transit</u>	<u>Total</u>
Accounts	\$ 300,376	\$ ---	\$ 300,376
Intergovernmental	5,384,581	108,495	5,493,076
Total Receivables	<u>\$ 5,684,957</u>	<u>\$ 108,495</u>	<u>\$ 5,793,452</u>

All of the component units' receivables are considered to be collectible.

All deferred revenue in the component units is unearned.

**A. Property Taxes**

The City levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and reassessed each year as of January 1. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in equal semi-annual installments due June 15 and November 15. The taxes receivable balance at June 30, 2010 includes amounts not yet received from the January 1, 2010 levy (due June 15 and November 15, 2010), less an allowance for uncollectibles. The installment due on November 15, 2010 is included as unavailable revenue since these taxes are restricted for use until FY 2011. Liens are placed on the property on the date real estate taxes become delinquent and must be satisfied prior to the sale or transfer of the property. In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate was 97.8¢ and 90.3¢ per \$100 of assessed value during calendar years 2010 and 2009, respectively.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 4. RECEIVABLES (Continued)**

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has situs in the City. Personal property taxes for the calendar year are due on October 5. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. The taxes receivable balance at June 30, 2010 includes amounts not yet billed or received from the January 1, 2010 levy (due October 5, 2010). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2011. The tax rates during calendar years 2010 and 2009 were \$4.75 for motor vehicles and tangible property and \$4.50 for machinery and tools per \$100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City billed and collected from the State 69 percent of most taxpayers' payments in FY 2010 for the January 1, 2009 levy for the Commonwealth's share of the local personal property tax payment with the remainder collected by the Commonwealth from taxpayers. Unavailable revenues include the state share of the January 1, 2010 levy.

**B. Notes Receivable**

The gross amount of notes receivable is primarily for the City's housing programs and consisted of the following at June 30, 2010:

**Governmental Activities**

General Fund	\$ 409,000
Special Revenue Fund	38,597,698
Capital Projects Fund	1,475,000
Less Allowance for Uncollectible Accounts	<u>(37,431,673)</u>
Net	<u>\$ 3,050,025</u>
Amounts due within one year	<u>\$ 97,359</u>
Amounts due in more than one year	<u>\$ 2,952,666</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2010:

**Governmental Activities**

	<b>Restated Balance June 30, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2010</b>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 88,824,643	\$ 3,194,745	\$ ---	\$ 92,019,388
Construction in Progress	79,210,142	69,818,988	58,792,007	90,237,123
Total Capital Assets Not Being Depreciated	<u>\$ 168,034,785</u>	<u>\$ 73,013,733</u>	<u>\$ 58,792,007</u>	<u>\$ 182,256,511</u>
Depreciable Capital Assets:				
Buildings	\$ 382,216,855	\$ 49,096,420	\$ ---	\$ 431,313,275
Infrastructure	144,121,593	42,314,225	---	186,435,818
Intangible Assets	10,866,822	352,074	---	11,218,896
Furniture and Other Equipment	59,749,864	5,280,780	7,992,493	57,038,151
Total Depreciable Capital Assets	<u>\$ 596,955,134</u>	<u>\$ 97,043,499</u>	<u>\$ 7,992,493</u>	<u>\$ 686,006,140</u>
Less Accumulated Depreciation for:				
Buildings	\$ 89,677,699	\$ 9,454,631	\$ ---	\$ 99,132,330
Infrastructure	73,344,449	6,382,393	---	79,726,842
Intangible Assets	10,157,173	384,632	---	10,541,805
Furniture and Other Equipment	41,698,553	4,841,379	7,019,061	39,520,871
Total Accumulated Depreciation	<u>\$ 214,877,874</u>	<u>\$ 21,063,035</u>	<u>\$ 7,019,061</u>	<u>\$ 228,921,848</u>
Depreciable Capital Assets, Net	<u>\$ 382,077,260</u>	<u>\$ 75,980,464</u>	<u>\$ 973,432</u>	<u>\$ 457,084,292</u>
<b>TOTALS</b>	<u><u>\$ 550,112,045</u></u>	<u><u>\$ 148,994,197</u></u>	<u><u>\$ 59,765,439</u></u>	<u><u>\$ 639,340,803</u></u>

The City acquires and maintains all capital assets for the Library. Accordingly, Library capital assets are included in the governmental activities totals. The City implemented GASB 51 in FY 2010 and intangible assets are included in the beginning balance.

The following table shows beginning net capital assets restated for the effects of implementation of GASB Statement No. 51:

Capital Net Assets at June 30, 2009 – Primary Government	\$ 549,402,396
Net Intangible Assets (Net of Accumulated Depreciation)	709,649
Restated Net Assets as of July 1, 2009	<u><u>\$ 550,112,045</u></u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS (Continued)**

Governmental activities capital assets, net of accumulated depreciation at June 30, 2010, are comprised of the following:

General Capital Assets, Net	\$ 629,419,082
Internal Service Fund Capital Assets, Net	<u>9,921,721</u>
<b>TOTAL</b>	<b><u>\$ 639,340,803</u></b>

Depreciation was charged to governmental functions as follows:

General Government	\$ 1,613,662
Judicial Administration	486,270
Public Safety	2,747,041
Public Works	8,905,736
Health and Welfare	599,468
Culture and Recreation	2,254,318
Education	4,242,357
Community Development	<u>214,183</u>
<b>Total</b>	<b><u>\$ 21,063,035</u></b>

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

**Primary Government**

City Capital Outlay	\$ 93,369,996
Donated Assets	37,611,520
Depreciation Expense	(21,063,035)
Capital Outlay not Capitalized	<u>(26,682,138)</u>
<b>Total Adjustment</b>	<b><u>\$ 83,236,343</u></b>

Donated assets are comprised of infrastructure donated by developers.

**Net assets invested in capital assets, net of related debt is computed as follows:**

Capital Assets (net)	\$ 639,340,803
Construction in progress	<u>(90,237,123)</u>
Completed Capital Assets	549,103,680
Outstanding bonds	\$ (364,485,000)
Bond premium	<u>(8,873,623)</u>
	(373,358,623)
Unspent bond proceeds at SNAP	<u>72,269,397</u>
	(301,089,226)
<b>Invested in Capital Assets Net of Debt</b>	<b><u>\$ 248,014,454</u></b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS (Continued)**

**Component Unit - School Board**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2010:

	<b>Balance June 30, 2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2010</b>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 999,381	\$ ---	\$ ---	\$ 999,381
Total Capital Assets Not Being Depreciated	\$ 999,381	\$ ---	\$ ---	\$ 999,381
Depreciable Capital Assets:				
Buildings	\$ 36,364,241	\$ 491,281	\$ ---	\$ 36,855,522
Furniture and Other Equipment	11,307,456	304,916	---	11,612,372
Total Depreciable Capital Assets	\$ 47,671,697	\$ 796,197	\$ ---	\$ 48,467,894
Less Accumulated Depreciation	41,103,235	1,278,886	---	42,382,121
Depreciable Capital Assets, Net	\$ 6,568,462	\$ (482,689)	\$ ---	\$ 6,085,773
<b>TOTALS</b>	<b>\$ 7,567,843</b>	<b>\$ (482,689)</b>	<b>\$ ---</b>	<b>\$ 7,085,154</b>

In FY 2002, the Virginia Assembly passed a general law to respond to GASB Statement No. 34 that establishes the local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds for acquisition, construction or improvement of public school property. The sole purpose of the law is to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds are now recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the Alexandria School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets.

All depreciation was charged to education.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 5. CAPITAL ASSETS (Continued)**

**Component Unit – Alexandria Transit Company**

	<u>Balance</u> <u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 6,504,807	\$ ----	\$ ---	\$ 6,504,807
Depreciable Capital Assets:				
Equipment	\$ 21,266,275	\$ 103,087	\$ 696,234	\$ 20,673,128
Less Accumulated Depreciation	<u>12,706,878</u>	<u>1,539,342</u>	<u>696,234</u>	<u>13,549,986</u>
Total Depreciable Capital Assets, Net	\$ 8,559,397	\$(1,436,255)	\$ ---	\$ 7,123,142
TOTALS	<u>\$ 15,064,204</u>	<u>\$(1,436,255)</u>	<u>\$ ---</u>	<u>\$ 13,627,949</u>

All depreciation was charged to transit.

**Primary Government**

Construction in progress is composed of the following at June 30, 2010:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Through</u> <u>June 30, 2010</u>	<u>Committed</u>
School Capital Projects	\$ 28,410,357	\$ 17,027,209	\$ ---
Infrastructure	23,168,044	18,207,889	3,494,895
Housing and Community Improvement	595,128	87,294	95,159
Parks and Recreation Facilities	1,478,797	188,929	484,919
Public Buildings	3,534,276	2,332,702	815,296
Public Safety Buildings	64,575,581	49,536,474	14,968,934
Information Technology	<u>3,134,327</u>	<u>2,856,626</u>	<u>21,642</u>
TOTALS	<u>\$ 124,896,510</u>	<u>\$ 90,237,123</u>	<u>\$ 19,880,845</u>

**Component Units**

There was no construction in progress authorizations for the component units.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 6. RISK MANAGEMENT**

The City is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2010: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, and commercial crime. In addition, the City maintains excess workers' compensation insurance. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

The City is self insured for workers' compensation claims up to \$1 million and for public officers, public entity, physical damage to vehicles, and vehicle general liability under \$2 million and over \$10 million.

The following Constitutional Officers and City employees are covered by surety bonds issued in the amounts shown below by Aetna Casualty and Surety as of June 30, 2010:

Director of Finance.....	\$ 1,000,000
Treasury Director .....	\$ 500,000
Revenue Director .....	\$ 150,000
Clerk of the Circuit Court.....	\$ 103,000*
Sheriff.....	\$ 30,000*
All other City employees.....	\$ 100,000
Alexandria Historic Restoration and Preservation Commissioners .....	\$ 10,000

\* Bond provided by the Commonwealth of Virginia

**Self-Insurance**

The non-current portion of unpaid workers' compensation claims amounted to approximately \$10.3 million as of June 30, 2010 and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. In FY 2010 the City became self-insured for one of the two health insurance plans offered to employees. At June 30, 2010 the current portion of employees' health insurance was \$0.9 million which represents an estimate of health insurance claims that have been incurred but not reported and are reported in accrued liabilities. The amount of expenditures did not exceed funds that are available to pay the claims. Therefore a long-term liability has not been recorded as of June 30, 2010. Liabilities are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. An independent contractor processes claims and the City records a provision and liability in the government-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 6. RISK MANAGEMENT (Continued)**

Changes in the estimated claims payable for workers' compensation and health insurance during the fiscal years ended June 30, 2010 and 2009 were as follows:

	<b>Worker's Compensation</b>	<b>Health Insurance</b>
July 1, 2008 Liability Balances	\$ 7,403,373	\$ ---
Claims and changes in estimates	3,862,655	13,003,349
Claim Payments	(2,161,199)	(11,814,462)
June 30, 2009 Liability Balances	\$ 9,104,829	\$ 1,188,887
Claims and changes in estimates	2,947,465	13,327,587
Claim Payments	(1,779,843)	(13,633,541)
June 30, 2010 Liability Balances	\$ 10,272,451	\$ 882,933

**Insurance Designation**

In addition, the City has established a General Fund fund balance self-insurance designation of \$5 million as of June 30, 2010.

**Risk Pools**

On March 15, 1986, the City joined the Commonwealth of Virginia's Law Enforcement Liability plan, called VA Risk, on behalf of the Office of the Sheriff. The Division of Risk Management of the Commonwealth's Department of General Services operates VA Risk. It was created in accordance with Sec. 2.1-526.8:1 of the Code of Virginia, which says that the State shall have the right and duty to defend any suit seeking damages or compensation against the City's officials and employees on account of wrongful acts, even if any of the allegations of the suit are groundless, false, or fraudulent, and may make investigation and settlement of any claims or suit as deemed expedient. The limits of VA Risk coverage are \$1 million per claim. The City retains the risk for all claims in excess of \$1 million.

**Component Units**

The School Board carries insurance for all risks of loss, including property insurance, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. The School Board is self-insured for workers compensation. School management has estimated their workers compensation liability to be \$0.7 million as of June 30, 2010. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The Library carries commercial insurance with the Virginia Municipal League for all risks of loss including property insurance, theft, auto liability, physical damage, and general liability insurances. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

On October 1, 1987, the Alexandria Transit Company joined the Virginia Transit Liability Pool. Commercial companies service the Virginia Transit Liability Pool.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 6. RISK MANAGEMENT (Continued)**

The coverage and limits of the pool's liability to the City are as follows:

Commercial General Liability .....	\$10 million
Automobile Liability .....	\$10 million
Uninsured Motorist.....	\$50,000
Automobile Physical Damage .....	(Actual Value)

Under the provisions of the Virginia Workers' Compensation Act, the Alexandria Transit Company has secured the payment of Virginia compensation benefits and employers' liability coverage with the Virginia Municipal Group Self-Insurance Association (VMGSIA). VMGSIA is a public entity risk pool providing a comprehensive workers' compensation insurance program to Virginia municipalities and other local government entities. In addition to insurance coverage, the program provides risk management services with emphasis on loss control and claims administration. The Alexandria Transit Company pays an annual premium to VMGSIA for workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of \$5 million. Each member's premium is determined through an actuarial analysis based upon the individual member's past experience and number of employees. In FY 2010, the Alexandria Transit Company paid an annual premium of \$0.28 million for participation in this pool.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 7. OPERATING LEASES**

**Rental Costs**

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through FY 2025. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

Scheduled minimum rental payments for succeeding fiscal years ending June 30 are as follows:

<u>Fiscal Year</u>	<u>Primary Government</u>	<u>School Board Component Unit</u>
2011	\$ 6,621,815	\$ 1,030,510
2012	6,887,503	1,057,510
2013	6,194,809	1,062,752
2014	5,039,322	862,643
2015	5,249,931	895,262
2016-2020	9,437,592	---
2021-2025	5,299,635	---

Total rental costs during FY 2010 for operating leases were \$6.6 million for the Primary Government and \$2.9 million for the School Board.

**Rental Revenues**

The City also leases various City-owned properties and buildings under non-cancellable long-term lease agreements through FY 2022. The net book value of leased assets of \$3.9 million (cost of \$5.7 million less accumulated depreciation of \$1.8 million) is included in capital assets in the government-wide financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index.

Scheduled minimum revenues for succeeding fiscal years ending June 30 are as follows:

<u>Fiscal Year</u>	<u>Total Revenues</u>
2011	\$ 485,122
2012	39,687
2013	40,878
2014	42,104
2015	43,367
2016-2020	96,384

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

**A. Washington Metropolitan Area Transit Authority**

The City's commitments to the Washington Metropolitan Area Transit Authority (WMATA) are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies for both rail bus and paratransit systems.

The City and other participating jurisdictions have entered into a series of capital contributions agreements with WMATA to fund the local share of the cost of the regional Metrorail, Metrobus and Metro Access transit systems. The City's commitments are summarized as follows:

**1. Capital contributions - Bus and Rail Replacement**

During FY 2004 the WMATA Board, the City and other participating jurisdictions in the Washington D.C. area discussed and negotiated a new "Metro Matters" multi-year capital funding agreement. This agreement reflects some \$3.2 billion in Metrorail and Metrobus infrastructure capital improvements, as well as expansion of Metro transit services through the acquisition of new railcars and buses. The participating jurisdictions' share is planned at \$1.9 billion over a 20-year period with \$0.9 billion planned during the first six years. The City's share is \$82.5 million over the 20-year period with \$40.7 million planned during the first six years. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The City opted out of the new 2009 series bond issue by prefunding its share. In June, 2010, a new funding agreement was signed by all members of the WMATA Compact. It sets forth a commitment of one year's funding with five planning years. The new funding agreement assumes an increase of \$150 million per year of new federal funds, matched by the Commonwealth of Virginia, the State of Maryland, and the District of Columbia. The new agreement, totals to \$5.0 billion, of which \$2.5 billion will be funded by the federal government. The participating jurisdictions' financial obligations, including the City, per the Metro Matters agreement, are subject to individual jurisdictional annual appropriation consideration.

For the fiscal year ended June 30, 2010, the total City obligation was \$8.8 million \$7.4 million of which was funded from the City's capital project fund with the remaining \$1.4 million being funded from NVTC credits.

**2. Operating subsidies - Bus and Rail Systems**

During the fiscal year ended June 30, 2010, obligations for bus and rail subsidies amounted to \$19.9 million. The City paid this obligation from the following sources:

City payments .....	\$ 3,018,509
State Aid and State Motor Fuel Sales Tax revenues .....	16,811,556
Investment earnings.....	98,924
<b>TOTAL</b>	<b><u>\$19,928,989</u></b>

Expected obligations for FY 2011 are \$20.3 million of which \$6.4 million is expected to be paid from the City's General Fund.

**3. WMATA Transit Revenue Bonds**

WMATA issued approximately \$1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances, with interest, and one-third of the

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)**

debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service costs among the participating jurisdictions. The City has not agreed to any payments for the one-third allocation of debt service, but the Northern Virginia Transportation Commission (NVTC) has paid, from state aid, all such costs allocated to Northern Virginia jurisdictions, of which \$1,418,200 was the City's allocation during the fiscal year ended June 30, 2009. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the Alexandria City Council authorized NVTC to pay \$4.2 million to WMATA, including accrued interest, from state aid on deposit to the credit of the City. This was the total amount allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due WMATA for transit revenue bonds.

**B. Litigation**

The City is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance that may ultimately be incurred as a result of the suits and claims will not be material.

**C. Waste-To-Energy Facility**

The City has guaranteed annual tonnage of acceptable waste commitment to the Waste-to-Energy Facility, which is owned and operated by a private corporation. The commitment, which is joint with Arlington County, is based on a percent of solid waste the City and Arlington County expects to collect together. The facility charges fees on each ton based on defined costs, as well as has two multi-year contracts for large haulers where a fee discount applies. It is expected that the City and Arlington County will be able to continue to meet their minimum requirement for annual tonnage of 225,000 tons per year. For FY 2010 and for every year the facility has been open, the City and Arlington County exceeded the minimum annual tonnage requirement. If the City would be required to augment this requirement, the financial effect on the City would be immaterial.

On December 1, 1984, an inter-local joint enterprise agreement was entered into between the Alexandria Sanitation Authority and the Arlington Solid Waste Authority (the "Authorities"). The Joint Enterprise, referred to as the Alexandria/Arlington Resource Recovery Corporation, was formed to design, construct, equip, test, then operate a solid waste disposal facility having an installed capacity of 975 tons per day of mixed municipal solid waste. The facility is located at 5301 Eisenhower Avenue, Alexandria, Virginia. The Alexandria Industrial Development Authority issued revenue bonds and proceeds were lent to the Authorities to construct the facility.

On October 22, 1985, the Authorities sold the Facility to a private company ("the Corporation") pursuant to a Conditional Sale and Security Agreement (the Agreement). The sale involved the transfer of construction-in-progress together with marketable securities and other assets. The Corporation assumed the obligation to provide funds adequate to pay the current liabilities and the outstanding revenue bonds payable as of October 22, 1985. This Agreement requires the Authorities to transfer full title to the Facility only when principal and interest on the outstanding revenue bonds or any subsequent refinancing revenue bonds have been paid in full. The Agreement also entitles the Authorities to repossess the Facility if revenue bond debt service payments are not made.

In connection with this transaction, the Corporation entered into a Facility Agreement dated as of October 1, 1986, obligating it to construct the Facility and to provide waste disposal services to the City of Alexandria, Arlington County, and the Authorities for 20 years. Under the Facility Agreement, the City has a guaranteed annual tonnage of acceptable waste commitment to the Facility. The commitment was based on a percent of solid waste the City expects to collect. The Facility charges a fee on each ton based on defined costs, and the City has met its requirement for annual tonnage each year.

Federal law changes in the Clean Air Act and subsequent regulations required the City and Arlington County to invest in a retrofit for new equipment at the Waste-To-Energy Facility. In July 1998, the Authorities advance refunded \$55 million of the outstanding revenue bonds (Series 1998 A bonds) for the Facility to take

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)**

advantage of lower interest rates. The Series A bonds were fully repaid in FY 2008. In November 1998, the Arlington Industrial Development Authority issued \$48.6 million in new retrofit revenue bonds (Series 1998 B bonds) to cover the cost of new pollution abatement equipment at the Facility required by federal law. The proceeds of the Series 1998 B bonds were lent to Authorities to construct the equipment.

The retrofitting of the Facility's boiler units with certain air pollution control equipment was made necessary by the U. S. Environmental Protection Agency regulations adopted pursuant to the 1990 Clean Air Act Amendments, which imposed more stringent emission limitations on waste-to energy facilities. The Corporation has agreed to design, construct, start-up, and test the equipment so that it passes the Acceptance tests.

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the Authorities and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant. In FY 2008 they have been recorded in the same manner, as is the rest of the plant.

The Alexandria/Arlington Waste Disposal Trust Fund ("the Trust") is a private purpose trust fund of Arlington County, Virginia and, accordingly, the financial position and results of operations of the Trust are reflected in the comprehensive annual financial report of Arlington County, Virginia. The City of Alexandria, Virginia and Arlington County, Virginia each have a 50% ownership interest in the Trust; however, because Arlington County performs the administrative functions for the Trust, it is reflected in the Arlington County reporting entity. As part of the Conditional Sale and Security Agreement, the Corporation made a payment of \$1 million to the Trust, which was to be used as a reserve for future expenditures.

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste and was \$0.5 million for FY 2010.

Expenditures such as capital costs of repairs, replacement/changes to the facility, and waste recycling programs/activities which benefit the two jurisdictions are eligible for reimbursement through the Trust. In addition, in FY 2010 the Trust has been used to pay consulting fees to an engineering firm for operations and maintenance audits of the facility, for oversight of the new construction and for legal consulting fees paid for services related to the issuance of retrofit financing.

The Trust also has been used to subsidize the difference between the contractual tipping fee paid by haulers under special contracts and the standard tipping fee and to cover deficiencies arising in the "income-available-for-debt-service" calculations mandated by the Facility Agreement between the Corporation, the jurisdictions, and the Authorities. In June 2001, the City of Alexandria, with the concurrence of Arlington County, took responsibility for the investment of Trust fund monies.

Operating costs of the facility are paid for primarily through tipping fees. The City paid \$1.8 million in tipping fees in FY 2010. In the event of a revenue shortfall at the facility, the City is not responsible for the repayment of the bonds. The Alexandria Sanitation Authority and the Arlington Solid Waste Authority have certain bond repayment obligations.

**D. Northern Virginia Transportation District Bonds**

In November 1999, the City signed an agreement with the Commonwealth Transportation Board to provide \$256,070 annually, subject to appropriation, to finance certain Northern Virginia Transportation District Bond projects benefiting the City and other jurisdictions in Northern Virginia. The FY 2010 payment of \$256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund. The City is not liable for repayment of the 20-year bonds.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT**

**General Obligation Bonds** - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The City currently has no outstanding arbitrage obligation. General obligation bonds outstanding as of June 30, 2010 are composed of the following individual issues:

\$35.2 million Public Improvement (tax-exempt) Bonds of 2009 installments ranging from \$1.1 million to \$4.1 million through 2019, bearing interest at rates ranging from 1.75 percent to 4.0 percent. The Bonds are not subject to redemption prior to maturity .....	\$	35,200,000
\$44.5 million Public Improvement (taxable-Build America) Bonds of 2009 installments ranging from \$4.1 million to \$4.8 million through 2029, bearing interest at rates ranging from 4.85 percent to 5.7 percent for which the Federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2019, are subject to optional redemption before maturity on or after July 1, 2019, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption .....		44,500,000
\$58.0 million Public Improvement (tax-exempt) Bonds of 2008 installments ranging from \$0.9 million to \$3.1 million through 2028, bearing interest at rates ranging from 3.375 percent to 5.0 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption .....		57,100,000
\$5.0 million Public Improvement (taxable) Bonds of 2008 installments ranging from \$0.25 million to \$1.25 million through 2028, bearing interest at rates ranging from 4.5 percent to 5.6 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption .....		4,750,000
\$22.8 million Public Improvement (tax-exempt) Refunding Bonds of 2007 installments ranging from \$2.8 million to \$2.9 million through 2021, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds are not subject to redemption prior to their maturity .....		22,815,000
\$56 million Public Improvement (tax-exempt) Bonds of 2006 installments of \$2.9 million through 2026, bearing interest at rates ranging from 4.00 percent to 5.0 percent. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption .....		46,660,000
\$15 million Public Improvement (taxable) Bonds of 2006 installments of \$0.75 million through 2026, bearing interest at rates ranging from 5.5 percent to 5.95 percent. The bonds maturing before December 15, 2016 are not subject to redemption before maturity. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of \$5,000, at any time or from time to time at par plus accrued interest on the principal amount to be redeemed to the date fixed for redemption .....		12,000,000

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

\$54.8 million Public Improvement Bonds of 2004 installments of \$2.74 million through 2024, bearing interest at rates ranging from 3.0 percent to 5.0 percent. The bonds maturing before December 15, 2015 are not subject to redemption before maturity. Beginning December 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest .....	\$	41,100,000
\$32.5 million Refunding Bonds of 2004 installments ranging from \$0.2 million to \$3.205 million through 2020, bearing interest at rates ranging from 3.5 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2015, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest .....		30,770,000
\$64.7 million Public Improvement Bonds of 2004 installments ranging from \$3.3 million to \$3.8 million through 2023, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest .....		42,900,000
\$54.5 million Public Improvement Bonds of 2001 due in installments of \$2.9 million through 2013, bearing interest at rates ranging from 4.25 percent to 4.5 percent. The bonds are not subject to redemption prior to maturity. (\$23.2 million refunded in May 2007). .....		8,690,000
\$40 million Public Improvement Bonds of 1999 due in annual installments of \$2 million through 2019, bearing interest at rates ranging from 4.25 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity .....		18,000,000
Total	\$	<u>364,485,000</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

<b>Public Improvement Bonds of 2009 (Tax-Exempt)</b>			
<b><u>CUSIP</u></b>	<b><u>Issue</u></b>	<b><u>Rate</u></b>	<b><u>Maturity Date</u></b>
			<b><u>July 1,</u></b>
015302D90	\$ 1,100,000	4.00%	2010
015302E24	2,200,000	3.00%	2011
015302E32	3,200,000	4.00%	2012
015302E40	4,100,000	1.75%	2013
015302E57	4,100,000	2.13%	2014
015302E65	4,100,000	3.00%	2015
015302E73	4,100,000	3.00%	2016
015302E81	4,100,000	4.00%	2017
015302E99	4,100,000	4.00%	2018
015302F23	4,100,000	4.00%	2019
Total	<u>\$ 35,200,000</u>		

<b>Public Improvement Bonds of 2009 (Taxable-Build America Bonds)</b>			
<b><u>CUSIP</u></b>	<b><u>Issue</u></b>	<b><u>Rate</u></b>	<b><u>Maturity Date</u></b>
			<b><u>July 1,</u></b>
015302F31	\$ 4,100,000	4.85%	2020
015302F49	4,100,000	5.00%	2021
015302F56	4,100,000	5.10%	2022
015302F64	4,100,000	5.20%	2023
015302F72	4,100,000	5.30%	2024
015302F80	4,800,000	5.40%	2025
015302F98	4,800,000	5.50%	2026
015302G22	4,800,000	5.60%	2027
015302G30	4,800,000	5.65%	2028
015302G48	4,800,000	5.70%	2029
Total	<u>\$ 44,500,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

<b>Public Improvement Bonds of 2008 (Tax-exempt)</b>			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302A28	\$ 1,900,000	3.38%	2010
015302A36	2,500,000	3.38%	2011
015302A44	3,100,000	5.00%	2012
015302A51	3,100,000	3.50%	2013
015302A69	3,100,000	3.50%	2014
015302A77	3,100,000	5.00%	2015
015302A85	3,100,000	5.00%	2016
015302A93	3,100,000	5.00%	2017
015302B27	3,100,000	4.00%	2018
015302B35	3,100,000	4.00%	2019
015302B43	3,100,000	4.25%	2020
015302B50	3,100,000	4.00%	2021
015302B68	3,100,000	4.00%	2022
015302B76	3,100,000	4.13%	2023
015302B84	3,100,000	4.20%	2024
015302B92	3,100,000	4.25%	2025
015302C26	3,100,000	4.25%	2026
015302C34	3,100,000	4.30%	2027
015302C42	3,100,000	4.38%	2028
Total	<u>\$57,100,000</u>		

<b>Public Improvement Bonds of 2008 (Taxable)</b>			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302C67	\$ 250,000	4.50%	2010
015302C75	250,000	4.50%	2011
015302C83	250,000	4.50%	2012
015302C91	250,000	4.63%	2013
015302D25	250,000	4.63%	2014
015302D33	250,000	4.80%	2015
015302D41	250,000	5.00%	2016
015302D58	250,000	5.25%	2017
015302D66	250,000	5.25%	2018
015302D74	1,250,000	5.40%	2023
015302D82	1,250,000	5.60%	2028
Total	<u>\$ 4,750,000</u>		



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

The outstanding bonds have been issued as follows:

<b>Refunding Bonds of 2007</b>			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302ZY1	\$ 2,905,000	4.00%	2014
015302ZR6	2,890,000	4.00%	2015
015302ZS4	2,870,000	4.00%	2016
015302ZT2	2,845,000	4.00%	2017
015302ZU9	2,825,000	5.00%	2018
015302ZV7	2,825,000	5.00%	2019
015302ZW5	2,825,000	5.00%	2020
015302ZX3	2,830,000	5.00%	2021
Total	<u>\$22,815,000</u>		

<b>Public Improvement Bonds of 2006 (Tax-exempt)</b>			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302YD8	\$ 2,920,000	5.00%	2011
015302YE6	2,920,000	5.00%	2012
015302YF3	2,920,000	5.00%	2013
015302YG1	2,920,000	4.00%	2014
015302YH9	2,915,000	4.00%	2015
015302YJ5	2,915,000	5.00%	2016
015302YK2	2,915,000	5.00%	2017
015302YL0	2,915,000	4.25%	2018
015302YM8	2,915,000	4.38%	2019
015302YN6	2,915,000	4.38%	2020
015302Y91	2,915,000	4.50%	2021
015302YQ9	2,915,000	5.00%	2022
015302YR7	2,915,000	5.00%	2023
015302YS5	2,915,000	4.25%	2024
015302Y73	2,915,000	4.25%	2025
015302YU0	2,915,000	4.38%	2026
Total	<u>\$46,660,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

**Public Improvement Bonds of 2006 (Taxable)**

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302YZ9	\$ 750,000	5.50%	2011
015302ZA3	750,000	5.50%	2012
015302ZB1	750,000	5.50%	2013
015302ZC9	750,000	5.50%	2014
015302ZD7	750,000	5.55%	2015
015302ZE5	750,000	5.55%	2016
015302ZF2	750,000	5.65%	2017
015302ZG0	750,000	5.70%	2018
015302ZH8	750,000	5.75%	2019
015302ZJ4	750,000	5.80%	2020
015302ZK1	750,000	5.85%	2021
015302ZL9	750,000	5.90%	2022
015302ZM7	750,000	5.95%	2023
015302ZN5	750,000	5.95%	2024
015302ZP0	750,000	5.95%	2025
015302ZQ8	750,000	5.95%	2026
Total	<u>\$12,000,000</u>		

**Public Improvement Bonds of 2004 (Tax-Exempt)**

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>December 15,</u>
015302XJ6	\$ 2,740,000	3.00	2010
015302XK3	2,740,000	5.00	2011
015302XL1	2,740,000	3.00	2012
015302XM9	2,740,000	3.50	2013
015302XN7	2,740,000	5.00	2014
015302XP2	2,740,000	4.50	2015
015302XQ0	2,740,000	4.50	2016
015302XR8	2,740,000	4.00	2017
015302XS6	2,740,000	4.00	2018
015302XT4	2,740,000	4.00	2019
015302XU1	2,740,000	4.00	2020
015302XV9	2,740,000	4.00	2021
015302XW7	2,740,000	4.00	2022
015302XX5	2,740,000	4.25	2023
015302XY3	2,740,000	4.50	2024
Total	<u>\$41,100,000</u>		

**Refunding Bonds of 2004 (Tax-Exempt)**

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302WT5	\$ 3,205,000	3.750	2011
015302WU2	3,170,000	3.500	2012
015302WV0	3,130,000	5.000	2013
015302WW8	3,130,000	4.000	2014
015302WX6	3,085,000	4.250	2015
015302WY4	3,060,000	5.000	2016
015302WZ1	3,050,000	4.250	2017
015302XA5	3,015,000	4.250	2018
015302XB3	2,980,000	4.250	2019
015302XC1	2,945,000	4.375	2020
Total	<u>\$30,770,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

<b>Public Improvement Bonds of 2004 (Tax-Exempt)</b>				<b>Public Improvement Bonds of 2001 (Tax-Exempt)</b>			
<b>CUSIP</b>	<b>Issue</b>	<b>Rate</b>	<b><u>Maturity Date</u></b> <b><u>June 15,</u></b>	<b>CUSIP</b>	<b><u>2000 Issue</u></b>	<b>Rate</b>	<b><u>Maturity Date</u></b> <b><u>June 15,</u></b>
015302VY5	\$ 3,300,000	5.00	2011	015302VF6	\$ 2,900,000	4.25	2011
015302VZ2	3,300,000	5.00	2012	015302VG4	2,895,000	4.40	2012
015302WA6	3,300,000	4.00	2013	015302VH2	2,895,000	4.50	2013
015302WB4	3,300,000	4.00	2014	Total	<u>\$ 8,690,000</u>		
015302WC2	3,300,000	4.00	2015				
015302WD0	3,300,000	4.00	2016				
015302WE8	3,300,000	4.00	2017				
015302WF5	3,300,000	4.00	2018				
015302WG3	3,300,000	4.00	2019				
015302WH1	3,300,000	4.13	2020				
015302WJ7	3,300,000	4.25	2021				
015302WK4	3,300,000	4.25	2022				
015302WL2	3,300,000	4.25	2023				
Total	<u>\$ 42,900,000</u>						

<b>Public Improvement Bonds of 1999 (Tax-Exempt)</b>			
<b>CUSIP</b>	<b>Issue</b>	<b>Rate</b>	<b><u>Maturity Date</u></b> <b><u>January 15,</u></b>
015302TR3	\$ 2,000,000	4.25	2011
015302TS1	2,000,000	4.25	2012
015302TT9	2,000,000	5.00	2013
015302TU6	2,000,000	5.00	2014
015302TV4	2,000,000	4.50	2015
015302TW2	2,000,000	5.00	2016
015302TX0	2,000,000	5.00	2017
015302TY8	2,000,000	5.00	2018
015302TZ5	2,000,000	5.00	2019
Total	<u>\$ 18,000,000</u>		

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

The requirements to pay all long-term bonds as of June 30, 2010, including interest payments of \$138.9 million, are summarized as follows:

<b>Fiscal Year</b>	<b>Serial Bonds</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2011 .....	\$ 21,065,000	\$ 15,955,556
2012 .....	22,725,000	15,024,768
2013 .....	24,285,000	14,011,650
2014 .....	25,195,000	12,973,544
2015 .....	25,130,000	12,026,143
2016-2020 .....	123,015,000	44,155,509
2021-2025 .....	82,005,000	19,988,381
2026-2030 .....	41,065,000	4,733,594
	<u>\$ 364,485,000</u>	<u>\$ 138,869,145</u>

The General Fund meets debt service requirements for general obligation bonds. The City retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board. The City will receive \$12.8 million in Build America Bonds interest subsidy payments through 2030.

**Legal Debt Margin** - The City has no overlapping debt with other jurisdictions. As of June 30, 2010, the City had a legal debt limit of \$3.2 billion and a debt margin of \$2.8 billion:

Assessed Value of Real Property, January 1, 2010 .....	<u>\$31,819,266,000</u>
Debt Limit: 10 Percent of Assessed Value .....	\$ 3,181,926,600
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds .....	<u>\$364,485,000</u>
Less Total General Obligation Debt .....	<u>(364,485,000)</u>
LEGAL DEBT MARGIN REMAINING .....	<u>\$ 2,817,441,600</u>

**Unissued Bonds** - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expired during the fiscal year ended June 30, 2010, are summarized below:

	<b>Authorized and Unissued</b>				<b>Authorized and Unissued</b>
	<b><u>July 1, 2009</u></b>	<b><u>Authorized</u></b>	<b><u>Issued</u></b>	<b><u>Expired</u></b>	<b><u>June 30, 2010</u></b>
General Obligation Bonds	<u>\$ 34,000,000</u>	<u>\$ 72,300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,300,000</u>

On July 20, 2010 the City Council issued \$72.3 million in General Obligation bonds. The bonds were issued with an original issue premium of \$1.9 million and a true interest cost of 2.93 percent. The issuance included \$17 million for shorter-term traditional tax-exempt bonds. The issuance also included \$55.3 million in taxable Build America Bonds for which the federal government provides a 35% interest subsidy. The \$72.3 million bonds will be used to finance public school facility improvement; police headquarters building maintenance; contributions to DASH bus system and Metro bus and rail system; and streets, sewers and other infrastructure costs.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2010. Other short-term liabilities represent unclaimed money and deposits.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

**Changes in Long-Term Liabilities** - Changes in the total long-term liabilities during the fiscal year ended June 30, 2010 are summarized below. The Net Pension Obligation results from contributions to the City Supplemental Retirement Plan, the Pension for Fire and Police Plan, and the Firefighters' and Police Pension Plan that were less than the required amount. In general the City uses the General Fund to liquidate long-term liabilities.

**Primary Government – Governmental Activities**

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due</b>
	<b>July 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2010</b>	<b>Within One</b>
					<b>Year</b>
General Obligation Bonds	\$ 383,950,000	\$ ---	\$19,465,000	\$ 364,485,000	\$ 21,065,000
Bond Premium	9,434,112	---	560,489	8,873,623	560,489
Workers' Compensation Claims	9,104,829	2,947,465	1,779,843	10,272,451	2,382,212
Accrued Compensated Absences	19,704,340	1,231,041	---	20,935,381	1,103,504
Net Pension Obligation	11,656,057	3,539,899	213,747	14,982,209	---
Net OPEB Obligation	7,524,302	---	681,687	6,842,615	---
<b>Total</b>	<u>\$ 441,373,640</u>	<u>\$ 7,718,405</u>	<u>\$22,700,766</u>	<u>\$ 426,391,279</u>	<u>\$ 25,111,205</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities – both current and long-term – are reported in the statement of net assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2010:	
Long-term liabilities (detail above)	\$ 426,391,279
Accrued interest payable	3,851,796
Adjustment	<u>\$ 430,243,075</u>

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. This adjustment from modified accrual to full accrual is composed of the following items:

Compensated absences	\$ 1,231,041
Workers compensation	1,167,622
Change in net pension obligation and net OPEB obligation	2,644,465
Amortization of bond premium,	
Discount and interest	(381,223)
Accrued interest on bonds	<u>(1,214,124)</u>
Adjustment	<u>\$ 3,447,781</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 9. LONG-TERM DEBT (Continued)**

**Component Unit – School Board**

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due</b>
	<b>July 1, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2010</b>	<b>Within One</b>
					<b>Year</b>
Accrued Compensated Absences	\$ 7,409,617	\$ 11,624,518	\$11,651,156	\$ 7,382,979	\$ 532,828
Capital Leases	2,265,980	---	1,132,990	1,132,990	1,132,990
Workers' Compensation Claims	672,245	227,956	541,215	358,986	251,290
Net OPEB Obligation	5,579,186	1,423,737	2,706,132	4,296,791	---
<b>Total</b>	<b>\$ 15,927,028</b>	<b>\$ 13,276,211</b>	<b>\$16,031,493</b>	<b>\$ 13,171,746</b>	<b>\$ 1,917,108</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS**

There were no interfund receivables/payables at June 30, 2010. Interfund transfers and transactions for the year ended June 30, 2010 consisted of the following:

Transfer In/Out:	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Primary Government Transactions</b>				
General Fund	\$ ---	\$ 1,301,560	\$ ---	\$ 1,301,560
Special Revenue	38,289,662	42,029	---	38,331,691
Capital Projects	4,626,996	4,310,629	---	8,937,625
Internal Service	23,957	259,325	25,462	308,744
Total	<u>\$ 42,940,615</u>	<u>\$ 5,913,543</u>	<u>\$ 25,462</u>	<u>\$ 48,879,620</u>
<b>Component Unit Transactions</b>				
School Board	\$ 165,555,960	\$ ---	\$ 1,911,676	\$ 167,467,636
Library	6,074,971	---	---	6,074,971
Alexandria Transit	7,907,789	---	---	7,907,789
Total	<u>\$ 179,538,720</u>	<u>\$ ---</u>	<u>\$ 1,911,676</u>	<u>\$ 181,450,396</u>

Primary government transfer activities include:

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant programs resources and taxes collected for affordable housing project

Special Revenue funds are transferred to other funds for capital and equipment purchases as determined by the terms of the grant agreements.

Transfers from the General Fund to the Capital Projects fund represent the City's budgeted pay-as-you go funding of capital projects.

Transfers from Special Revenue funds to Capital Projects represent grants received for capital related expenditures.

Transactions with the component units represent budgeted subsidies for the school operations and capital projects, library operations and transit operations. In addition, there were no capital assets transferred to Alexandria Transit.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 11. GRANTS**

The City receives financial assistance from numerous federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the City. In the opinion of City management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

**NOTE 12. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues for the City and its component units totaled \$154.3 million in FY 2010. Sources of these revenues were as follows:

<b>GOVERNMENTAL FUNDS</b>	
Federal Government	\$ 34,538,939
Commonwealth of Virginia	<u>75,518,292</u>
Total Primary Government	<u>\$ 110,057,231</u>
<b>COMPONENT UNITS</b>	
Federal Government:	
School Board	\$ 14,668,348
Alexandria Transit Company	<u>63,535</u>
Total Component Units Federal Government	<u>\$ 14,731,883</u>
Commonwealth of Virginia:	
School Board	\$ 29,186,616
Library	183,661
Alexandria Transit Company	<u>153,265</u>
Total Component Units Commonwealth of Virginia	<u>\$ 29,523,542</u>
Total Component Units	<u>\$ 44,255,425</u>
<b>TOTAL CITY AND COMPONENT UNITS</b>	
Total Federal Government	\$ 49,270,822
Total Commonwealth of Virginia	<u>105,041,834</u>
Total Intergovernmental Revenue	<u>\$ 154,312,656</u>



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 13. DUE FROM OTHER GOVERNMENTS**

Due from other governments represents accrued revenue at June 30, 2010, consisting of the following:

<b>Primary Government</b>	
State	
General Fund	\$ 31,014,580
Special Revenue Fund	<u>3,141,063</u>
Total State	<u>\$ 34,155,643</u>
Federal	
General Fund	\$ 1,066,567
Special Revenue Fund	<u>6,429,706</u>
Total Federal	<u>\$ 7,496,273</u>
Total Primary Government	<u>\$ 41,651,916</u>
<b>Component Units</b>	
State	
School Board	\$ 505,640
Alexandria Transit Company	<u>92,460</u>
Total State	<u>\$ 598,100</u>
Federal	
School Board	\$ 4,878,941
Alexandria Transit Company	<u>16,035</u>
Total Federal	<u>\$ 4,894,976</u>
Total	<u>\$ 47,144,992</u>

**NOTE 14. JOINT VENTURES**

**A. Northern Virginia Criminal Justice Academy**

The City participates in a joint venture with the Counties of Arlington and Loudoun and the Cities of Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued \$6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The City and the Counties of Arlington and Loudoun have entered into a capital lease with the Industrial Development Authority of Loudoun County. The City maintains an equity interest only in the land and building of the Academy, which is reflected in the City's Statement of Net Assets. The City does not maintain an equity interest in the Academy's operations. This lease was paid in full in FY 2007. New debt of \$18.7 was issued in FY 2007. The City does not have an equity interest associated with this debt. In addition, the City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2010, the City paid \$0.6 million for operating costs.

Financial statements for the Academy may be obtained at Northern Virginia Criminal Justice Academy, 45299 Research Place, Ashburn, Virginia 22011-2600.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 14. JOINT VENTURES (Continued)**

**B. Northern Virginia Juvenile Detention Home**

The City participates in a joint venture with Arlington County and the City of Falls Church to operate a regional juvenile detention home. In July 1993, the City agreed to fund 55.3 percent of the construction costs of a new facility. The final construction payments were made in FY 1995. In addition, the City pays part of the Northern Virginia Juvenile Detention Home's operating costs based on the number of beds utilized by Alexandria residents. These payments totaled \$1.6 million in FY 2010.

The City does not maintain an equity interest in the detention home. Complete separate financial statements for this operation may be obtained from Northern Virginia Juvenile Detention Home, 200 South Whiting Street, Alexandria, Virginia 22304.

**C. Peumansend Creek Regional Jail Authority**

In 1992, the City entered into an agreement with the Counties of Caroline, Arlington, Prince William, and Loudoun to form an authority to construct and operate a regional jail in Caroline County. The regional jail, which commenced operations in September 1999, is used primarily to hold prisoners from each member jurisdiction. The Regional Jail Authority is composed of two representatives, the Chief Administrative Officer and the Sheriff, from each participating jurisdiction. The City of Richmond, which was not party to the original agreement, is now a part of the project. The regional jail has the capacity for 336 prisoners. The City is guaranteed a minimum of 50 beds.

The total project cost of \$27 million, with 50 percent of the eligible construction cost (\$23.8 million) is expected to be reimbursed by the Commonwealth. The Regional Jail Authority issued \$10.2 million in revenue bonds and \$12 million of grant anticipation notes in March 1997. The City's total share is \$18.2 million, including approximately \$3.2 million in capital and debt service costs and \$15 million in operating costs over the 20-year period of debt service payments (1997-2016). For FY 2010, the City paid \$0.5 million for operating costs and \$0.1 million for debt service payments. The City does not maintain an equity interest in the jail and is not responsible for repayment of the debt.

Complete financial statements can be obtained by writing to the Regional Jail Authority at Post Office Box 1460, Bowling Green, Virginia 22427.

**D. Washington Metropolitan Area Transit Authority**

As discussed in Note 8, the City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system. The City does not maintain an equity interest in WMATA. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, N.W., Washington, DC 20001.

**NOTE 15. RELATED PARTY TRANSACTIONS**

Sheltered Homes of Alexandria is a not-for-profit corporation formed to obtain and maintain group homes for mentally and physically disabled or impaired adults. The corporation's trustees also serve on the Alexandria Community Services Board, whose board members are appointed by the City and whose financial activities are therefore included as part of the primary government. During FY 2010, the City made rental payments to Sheltered Homes of Alexandria totaling \$0.1 million.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

In 1989 City Council voted to establish three classes of post employment health care benefits to supplement the increasing health care costs for City retirees. The three classes are as follows: (a) Full Time City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension plan; (b) Fire and police employees who are eligible to retire under the current defined benefit pension plan; and (c) Fire and police employees who retired and were eligible for normal retirement with 20 years of service under the old defined contribution retirement income plan and the retirees under the old defined benefit pension. In addition, spouses of deceased retirees are also eligible to receive benefits under this provision.

This plan is a reimbursement program that is based on the actual cost of the retiree's monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is \$260. The City Council has authority to establish or amend the provisions. As of June 30, 2010, 845 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to \$260 per month for each retiree, for a total annual contribution of \$2.1 million for FY 2010. Employees hired after September 30, 2007 will have their retirees health benefits prorated based on the length of service.

In addition to the healthcare benefits, the City pays for basic life insurance two times the amount of salary at the time of retirement to regular full time employees with applicable reductions if over 65 at no cost to the employees. On January 1, following the 65<sup>th</sup> birthday the basic life insurance amount is reduced by 25% and then by 10% each year till the 70<sup>th</sup> birthday. The ultimate insurance amount is 25% of the salary. This benefit is only available to those hired prior to July 1, 2008.

The City implemented Statement No. 45 of the Governmental Accounting Standards Boards (GASB), (Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions) for the year ended June 30, 2008. The City established a Single Employer OPEB Trust and plans to fund on a phased in basis the obligation through this trust. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand alone financial report for OPEB trust fund. The financial statements and required supplementary information are included in City's Comprehensive Annual Financial Report.

**MEMBERSHIP**

At January 1, 2010, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	970
Terminated Employees Entitled to Benefits But not yet receiving them	---
Active Employees	<u>2,199</u>
TOTAL	<u>3,169</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**ANNUAL OPEB COSTS AND NET OPEB OBLIGATIONS**

The annual required contribution (ARC) decreased from \$10,800,769 for fiscal year 2009 to \$10,306,577 for the current year. As a percentage of the payroll, the ARC decreased from 7.35% to 7.01% this fiscal year. As of June 30, 2010, the Net OPEB Obligation (NOO) decreased to \$6,842,615 compared to \$7,524,302 for fiscal year 2009. As of December 31, 2009 the unfunded Actuarial Accrued Liability (UAAL) decreased by \$3,104,758 to 82,479,304. This decrease was due to certain valuation assumption changes; a decrease in obligations due to lowering the presumed Medicare Subsidy by 1 % and an increase due to updating the medical trend rates. The savings from plan changes to prorate the health subsidy payments for retirees hired after September 30, 2007 based on years of service and to eliminate life insurance for those hired after July 1, 2008 will be recognized over time. The net OPEB Obligation as of June 30, 2010 is as follows:

Annual Required Contribution	\$	10,306,577
Interest on Net OPEB Obligation		564,323
Adjustment to Annual Required Contribution		(604,780)
Annual OPEB Cost	\$	<u>10,266,120</u>
Contributions Made		<u>(10,947,807)</u>
Increase (Decrease) in Net OPEB Obligation	\$	(681,687)
Net OPEB Obligation, Beginning of Year		7,524,302
Net OPEB Obligation, End Of Year	\$	<u><u>6,842,615</u></u>

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plan as of December 31, 2009 was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll ((2-1)/5)
12/31/2009	\$ 8,201,742	\$ 90,681,046	\$82,479,304	9.04%	\$147,006,590	56.11%

The Statement of Net Assets for the City's OPEB plan is included in footnote 17.

Actuarial valuations of the plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend.

The actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following notes to the financial statements, presents results as of December 31, 2009. The schedule will eventually provide multi-year trend information about whether the actuarial values of plan net assets are increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the December 31, 2009 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumption included 7.50% investment rate and an initial annual medical cost trend rate of 8.5% graded to 5.0% over 7 years and salary scale ranging from 3.75% to 7.50% for Fire and Police and 3.75% to 5.60% for City employees depending on service with 3.0% attributable to inflation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. Asset valuation method used was market value and the remaining amortization period as of December 31, 2009 was 28 years.

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contributions	Employer Contributions	Percentage Contributed
06/30/2008	\$ 10,900,053	\$ 3,922,024	36.0 %
06/30/2009	10,800,769	10,222,864	94.6%
06/30/2010	10,306,577	10,947,807	106.2%

Only three years' information was available. This will be expanded when information becomes available.

**Three Year Trend Information**

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/2008	\$ 10,900,053	36.0%	\$ 6,978,029
06/30/2009	10,769,137	94.9%	7,524,302
06/30/2010	10,266,120	106.6%	6,842,615

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS**

**Primary Government**

The City participates in seven public employee retirement systems (PERS). One of these systems is handled by Virginia Retirement System (VRS), an agent multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia, and is, therefore, not reflected as a City pension trust fund. Of the remaining six, four are single-employer defined benefit systems (City Supplemental, Pension for Fire and Police, Firefighters and Police Officers Pension Plan-defined benefit component, and Firefighters and Police Officers Pension Plan-disability component), where a stated methodology for determining benefits is provided, and two are defined contribution plans (Firefighters and Police Officers Pension Plan-defined contribution component and Retirement Income for Sheriff and Emergency Rescue Technicians (ERT)), where contribution requirements are not actuarially determined. All of these systems are included as part of the City's reporting entity and as such are reflected as Pension Trust Funds.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Combining Schedule of Fiduciary Net Assets

		Employee Retirement Plans					Post Retirement Benefit Trust	
		Firefighters and Police Officers Pension Plan						
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT	Other Post Employment Benefits	Total
<b>ASSETS</b>								
Investments, at Fair Value								
U.S. Government Obligations	\$ -	\$ -	\$ -	\$ -	\$ 879,414	\$ -	\$ -	\$ 879,414
Mutual Funds	40,084,813	-	9,285,232	113,716,220	6,248,090	9,431,872	4,918,915	183,685,142
Stocks	23,286,824	-	-	-	2,276,660	-	4,818,894	30,382,378
Guaranteed Investment Accounts	13,735,615	26,886,856	7,742,762	6,906,570	-	5,681,188	-	60,952,991
Real Estate	2,520,362	-	-	6,093,982	-	-	-	8,614,344
Timber/Private Equity	1,724,273	-	-	2,741,601	-	-	215,535	4,681,409
Other Investments	-	-	-	-	2,320,765	-	91,588	2,412,353
Total Investments	<u>\$ 81,351,887</u>	<u>\$ 26,886,856</u>	<u>\$ 17,027,994</u>	<u>\$ 129,458,373</u>	<u>\$ 11,724,929</u>	<u>\$ 15,113,060</u>	<u>\$ 10,044,932</u>	<u>\$ 291,608,031</u>
Total Assets	<u>\$ 81,351,887</u>	<u>\$ 26,886,856</u>	<u>\$ 17,027,994</u>	<u>\$ 129,458,373</u>	<u>\$ 11,724,929</u>	<u>\$ 15,113,060</u>	<u>\$ 10,044,932</u>	<u>\$ 291,608,031</u>
<b>NET ASSETS</b>								
Held in Trust for Pension Benefits	<u>\$ 81,351,887</u>	<u>\$ 26,886,856</u>	<u>\$ 17,027,994</u>	<u>\$ 129,458,373</u>	<u>\$ 11,724,929</u>	<u>\$ 15,113,060</u>	<u>\$ 10,044,932</u>	<u>\$ 291,608,031</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Combining Schedule of Changes in Fiduciary Net Assets**

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Employee Retirement Plans							Post Retirement Benefit Trust	
Firefighters and Police Officers Pension Plan					Retirement Income for Sheriff and ERT	Other Post Employment Benefits	Total	
City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component				
ADDITIONS								
Contributions:								
Employer	\$ 7,416,575	\$ 1,679,131	\$ -	\$ 7,062,118	\$ 1,584,314	\$ 261,751	\$ 5,300,000	\$ 23,303,889
Plan Members	196,870	-	-	2,378,264	188,333	-	-	2,763,467
Total Contributions	\$ 7,613,445	\$ 1,679,131	\$ -	\$ 9,440,382	\$ 1,772,647	\$ 261,751	\$ 5,300,000	\$ 26,067,356
Investment Income:								
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 8,437,745	\$ -	\$ 1,136,551	\$ 12,219,770	\$ 896,685	\$ 847,591	\$ 145,027	\$ 23,683,369
Interest	1,020,051	1,636,268	243,417	2,049,874	314,906	267,592	183,009	5,715,117
Net Investment Income	\$ 9,457,796	\$ 1,636,268	\$ 1,379,968	\$ 14,269,644	\$ 1,211,591	\$ 1,115,183	\$ 328,036	\$ 29,398,486
Total Additions	\$ 17,071,241	\$ 3,315,399	\$ 1,379,968	\$ 23,710,026	\$ 2,984,238	\$ 1,376,934	\$ 5,628,036	\$ 55,465,842
DEDUCTIONS								
Benefits	\$ 5,385,555	\$ 4,350,888	\$ -	\$ 4,415,364	\$ 1,921,259	\$ -	\$ -	\$ 16,073,066
Refunds of Contributions	-	-	1,791,652	-	-	804,880	-	2,596,532
Administrative Expenses	140,394	23,934	-	284,382	171,952	-	89,294	709,956
Total Deductions	\$ 5,525,949	\$ 4,374,822	\$ 1,791,652	\$ 4,699,746	\$ 2,093,211	\$ 804,880	\$ 89,294	\$ 19,379,554
Net Increase (Decrease)	\$ 11,545,292	\$ (1,059,423)	\$ (411,684)	\$ 19,010,280	\$ 891,027	\$ 572,054	\$ 5,538,742	\$ 36,086,288
Net Assets at Beginning of Year	69,806,595	27,946,279	17,439,678	110,448,093	10,833,902	14,541,006	4,506,190	255,521,743
Net Assets at End of Year	\$ 81,351,887	\$ 26,886,856	\$ 17,027,994	\$ 129,458,373	\$ 11,724,929	\$ 15,113,060	\$ 10,044,932	\$ 291,608,031

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The actuarial valuations for all the defined benefit pension plans are performed annually with the exception of VRS, which is performed biennially; however, an actuarial update is performed in the interim year. In the current valuation report, VRS changed the asset valuation method. The method used for prior valuation was a five year smoothed market value of assets but not less than 80% or more than 120% of the market value. VRS elected to suspend this corridor for the current valuation. The elimination of this corridor reduced the employer contribution rate from 9.82% to 7.78% with approximately \$2.5 million in savings for fiscal years 2011 and 2012. The current valuation also reflects increased rates of withdrawals for general employees, changed rates of service retirement and decreased rates of disability retirement for general employees. The number of active members shown includes those who have worked for the City at one time, but who are now active in another jurisdiction. Also the number of retirees includes those who retired from the City, as well as those who retired from another jurisdiction with service attributable to the City. The liability for the City's share of the benefits for those employees has been reflected in the pension liabilities and employer contribution rates. Financial statements and required supplementary information are presented in the VRS comprehensive annual financial report, which can be obtained by writing to the Virginia Retirement System, Post Office Box 2500, Richmond, Virginia 23218.

The City had assumed the responsibility of paying 2% of the employee share of contributions for City Supplemental pension plan. The employees commencing their participation in this plan after July 1, 2009, will make two percent of the employee contributions. The City will continue to make the two percent contribution for employees who were participants prior to July 1, 2009. However, these contributions will be characterized as employer contributions.

Since the prior valuation (As of July 1, 2008), the recommended annual employer contribution for Firefighters and Police officers pension plan increased from \$7.18 million (21.45% of projected salary) to \$7.92 million (23.8% of the projected salary). For the Disability plan these rates increased from \$1.24 million (3.72%) to \$1.47million (4.42% of projected salary). The increases in recommended employer contribution rates for both these plans are mainly due to rates of return that were far lower than projected. These increases were partially offset by salary increases that were lower than projected. The current actuarial valuation report is as of July 1, 2009 and the changes in the value of assets subsequent to that date are not reflected. Declines in the asset values will increase the actuarial cost of the plan and the effect would be spread over four years. The asset valuation method for these plans was also changed effective this valuation. The smoothing corridor around the market value was extended from 80%-120% to 75%-125% which lowered recommended contributions by \$385,518 and \$37,816 for Basic plan and Disability component, respectively. All other aspects of the asset valuation method remained same.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the pension plan for Police and Fire. The major provisions of all the defined benefit pension plans are listed in this disclosure.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The following schedules present a description of the plan provisions and membership information, actuarial assumptions, accounting and funding policies, and contribution requirements. Six-year schedules of funding progress and trend information for defined benefit pension plans are provided in Exhibit XVI.

**PLAN DESCRIPTION**

	(1) VRS	(2)	(3)	(4)	(5)	(6)	(7)
	City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability	Retirement Income for Sheriff and ERT
Administrator	State of Virginia	Prudential	Prudential	Prudential	Prudential	SunTrust	Prudential
Employees Covered	General body	General body Sheriff/ERT	Public Safety	Public Safety	Public Safety	Public Safety	Sheriff/ERT
Authority for Plan Provisions and Contributions	State Statute	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance
Plan Type	Agent Multi- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer
	Defined Benefit	Defined Benefit	Defined Benefit	Defined Contribution	Defined Benefit	Defined Benefit	Defined Contribution
Stand Alone Financial Report	Yes	No	No	No	No	No	No
Actuarial Valuation Date	6/30/2009	7/1/2009	7/1/2009	6/30/2010	7/1/2009	7/1/2009	6/30/2010

**MEMBERSHIP AND PLAN PROVISIONS**

Active Participants	2024	2068	0	104	446	446	247
Retirees & Beneficiaries	757	280	151	0	152	70	0
Terminated Vested & Non-vested	514	756	0	36	19	N/A	19
<b>Normal Retirement Benefits:</b>							
Age	65 50 (30Yrs)	65 50 (30Yrs)/ 50(25 Yrs)	60 50 (20Yrs)	60	55 Any Age (25Yrs)	55	60
Benefits Vested	5	5	10	5	5	5	5
Disability & Death Benefits	Disability Death	Disability Death	Disability Death	N/A Death	Disability Death	Disability N/A	N/A Death

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**MEMBERSHIP AND PLAN PROVISIONS**

As of:	6/30/09	7/01/09	7/01/09	6/30/10	7/01/09	7/01/09	6/30/10
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VRS</u>						
	<u>City</u>	<u>City Supplemental Retirement</u>	<u>Pension For Fire and Police</u>	<u>Retirement Income for Fire and Police</u>	<u>Firefighters and Police Pension</u>	<u>Fire and Police Disability</u>	<u>Retirement Income for Sheriff and ERT</u>

**SIGNIFICANT ACTUARIAL ASSUMPTIONS**

Investment Earnings	7.5%	7.5%	5.5%	N/A	7.5%	7.5%	N/A
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**Projected Salary Increases**

**Attributable to:**

Inflation	2.5%	3.0%	N/A	N/A	3.0%	3.0%	N/A
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Seniority/Merit	1.25% - 3.10%	Up to 4%	N/A	N/A	Up to 4.8%	Up to 4.8%	N/A
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Projected Postretirement Increases	2.5%	None	3.0%	N/A	2.7%	2.7%	N/A
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Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Projected Unit Credit With Zero Normal Cost	N/A	Entry Age Normal Cost	Entry Age Normal Cost	N/A
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Amortization Method Open/Closed	Level Percentage Open	Level dollar N/A	Level dollar Closed	N/A	Level Percentage Closed	Level Percentage Closed	N/A
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Remaining Amortization Period	20	20	16	N/A	20	20	N/A
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Asset Valuation Method	5-year Smoothed Market Value	Market Value	Book Value	N/A	4-year Smoothed Market	4-year Smoothed Market	N/A
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**Funded Status**

Actuarial Value of assets	341,519,985	69,806,595	27,946,279	N/A	138,100,526	13,542,378	N/A
Actuarial Accrued Liability	401,354,110	123,842,600	44,821,166	N/A	194,321,125	19,153,249	N/A
Unfunded Actuarial Accrued Liability (UAAL)	59,834,125	54,036,005	16,874,887	N/A	56,220,599	5,610,871	N/A
Funded Ratio	85.1%	56.4%	62.35%	N/A	71.1%	70.7%	N/A
Annual Covered Payroll	115,516,783	125,803,615	N/A	N/A	33,261,971	33,261,971	N/A
UAAL as Percentage of Covered Payroll	51.8%	43.0%	N/A	N/A	169.0%	16.9%	N/A

The multi-year funding progress is presented in RSI.

The Pension Plan for Fire and Police is a closed plan with no active participant.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**FUNDING POLICY AND ANNUAL PENSION COST**

As of:	6/10	6/10	6/10	6/10	6/10	6/10	6/10
	<b>VRS</b>						
	<b>City</b>	<b>City Supplemental Retirement</b>	<b>Pension for Fire and Police</b>	<b>Retirement Income for Fire and Police</b>	<b>Firefighters and Police Pension</b>	<b>Fire and Police Disability</b>	<b>Retirement Income for Sheriff and ERT</b>
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED							
Employee %	5.0%	2.0%	N/A	N/A	7.4%	0.6%	N/A
Employer %	7.07%	4.39% 6.39% 9.74%	\$ 1.68 mil/Yr.	N/A	21.85%	4.94%	1.58%
AMOUNT CONTRIBUTED							
Employee	\$ 5,671,930 *	\$ 196,870 *	\$ -	\$ -	\$ 2,378,264	\$ 188,333	\$ -
Employer	<u>7,977,375</u>	<u>7,416,575</u>	<u>1,679,131</u>	<u>-</u>	<u>7,062,118</u>	<u>1,584,314</u>	<u>282,643</u>
Total Amount Contributed	<u>\$ 13,649,305</u>	<u>\$ 7,613,445</u>	<u>\$ 1,679,131</u>	<u>\$ -</u>	<u>\$ 9,440,382</u>	<u>\$ 1,772,647</u>	<u>\$ 282,643</u>

\* The City assumed the responsibility of payment of employees' share of contributions. Starting July 1, 2009 the City's payment on behalf of the employees for City Supplemental will be characterized as employer's share. The new hires will be required to pay their share. Administrative costs of all the pension plans are financed through investment earnings except Public Safety Retirement and Sheriff Retirement plans, where the cost is assumed by the City.

The Contribution requirements for all pension plans (except VRS) are established and may be amended by City Ordinance. VRS requirements are established and may be amended by State Statutes. No contributions were made to Firefighters and Police defined contribution component plan during FY 2010.

**COVERED PAYROLL**

Dollar Amount	\$ 112.8 mil	\$ 125 mil	\$ N/A	\$ N/A	\$ 32.3 mil	\$ 32.3 mil	\$ N/A
Legally Required Reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution Contracts	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**INVESTMENT CONCENTRATIONS**

Investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan assets.

Prudential General Account (Long Term)	*	17%	100%	45%	5%	-	62%
Prudential Mutual Funds	*	49%	-	55%	88%	-	38%
SunTrust Mutual Funds	*	-	-	-	-	53%	-
State Street Global Russell 3000	*	29%	-	-	-	-	-
Stocks	*	-	-	-	-	19%	-
Others	*	-	-	-	-	20%	-

\* Investment information not available on an individual jurisdiction basis.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Calculation of Net Pension Obligation (Asset)**

	City Supplemental Retirement	Pension for Fire and Police	Firefighters and Police Pension	Fire and Police Disability
ARC	\$ 10,284,656	\$ 1,623,492	\$ 7,916,599	\$ 1,469,682
Interest on NPO	629,166	65,724	106,874	48,541
ARC Adjustment	(822,882)	(114,220)	(95,821)	(43,521)
Annual Pension Cost	\$ 10,090,940	\$ 1,574,996	\$ 7,927,652	\$ 1,474,702
Actual Deposit	(7,416,575)	(1,679,131)	(7,062,118)	(1,584,314)
Change in NPO	\$ 2,674,365	\$ (104,135)	\$ 865,534	\$ (109,612)
NPO Beginning of year	8,388,874	1,194,986	1,424,984	647,213
NPO End of Year (6/30/10)	\$ 11,063,239	\$ 1,090,851	\$ 2,290,518	\$ 537,601

**THREE-YEAR TREND INFORMATION**

	Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Supplemental Retirement	06/30/2008	\$ 5,247,292	103.08%	\$ 7,285,247
	06/30/2009	6,213,350	82.24%	8,388,874
	06/30/2010	10,090,940	73.50%	11,063,239
Pension for Fire and Police	06/30/2008	\$ 1,183,272	72.00%	1,270,763
	06/30/2009	1,632,059	104.64%	1,194,986
	06/30/2010	1,574,996	106.61%	1,090,851
Firefighter and Police Pension	* 06/30/2008	\$ 7,132,976	101.25%	\$ 1,314,838
	06/30/2009	7,197,471	98.47%	1,424,984
	06/30/2010	7,927,652	89.08%	2,290,518
Fire and Police Disability	* 06/30/2008	\$ 1,610,274	47.88%	\$ 838,909
	06/30/2009	1,253,251	115.30%	647,213
	06/30/2010	1,474,702	107.43%	537,601
Virginia Retirement System	06/30/2008	\$ 7,490,208	100.00%	\$ -
	06/30/2009	8,149,979	100.00%	-
	06/30/2010	7,977,375	100.00%	-

Firefighters and Police Pension plan commenced on January 1, 2004 and Fire and Police Disability plan converted from defined contribution to defined benefit pension plan on the same date.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**DESCRIPTION OF BENEFITS:**

**VRS – City** - Employees with credit for services rendered prior to July 1, 2010 are covered under plan 1, while members hired or rehired on or after July 1, 2010 are covered under plan 2. Employees are eligible for an unreduced retirement at age 65 with 5 years of service and at age 50 with 30 years of service under plan 1, and at normal Social Security retirement age with at least five years of service or when age and service are equal to 90 under plan 2. An optional reduced retirement benefit is available as early as age 55 with five years of service or age 50 with 10 years of service under plan 1 and age 60 with at least five years of service under plan 2. The retirees are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS under plan 1 is 36 highest consecutive months while it is 60 highest consecutive months under plan 2. In addition, retirees qualify for annual cost-of-living (COLA) increases on July 1 of the second calendar year after retirement. These benefit provisions and all other requirements are established and may be amended by State statutes.

**City Supplemental Retirement Plan-** Regular City employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to the sum of (1) and (2), increased by 50 percent, plus (3):

- (1) 1.625 percent of the participant's past service compensation up to \$100, plus 0.25 percent of the participant's past service compensation in excess of \$100, multiplied by number of years of credited service earned after July 31, 1960, but prior to August 1, 1970.
- (2) 1.625 percent of the participant's average earnings up to \$100, plus 0.25 percent of the participant's average earnings in excess of \$100, multiplied by the number of years of credited service earned after July 31, 1970, but prior to January 1, 1988.
- (3) 0.80 percent of average earnings multiplied by credited service earned after December 31, 1987.

The Sheriff's Deputies, ERT and Fire Marshals who retire at age 65 or after age 50 with 25 years of service are entitled to the sum of (1), (2) and (3):

- (1) 0.6 percent of average earnings multiplied by first five years of credited service,
- (2) 0.9 percent of average earnings multiplied by next ten years of credited service, and
- (3) 1.0 percent of average earnings multiplied by all years of credited service in excess of fifteen years.

Benefit provisions are established and may be amended by City Ordinance.

**Pension Plan for Fire Fighters and Police Officers (closed plan)** - Employees who retired on or after age 60 are entitled to an annual retirement defined benefit, payable monthly for life, in an amount equal to 2.5 percent of final average earnings multiplied by years of credited service, up to a maximum of 30 years. The plan also provided early retirement on or after age 50 with 20 years of credited service or on or after age 56 with 10 years of credited service. This plan further provided early retirement on or after age 50 with 10 years of service with an actuarially reduced benefit. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new participants in FY 1979.

**Firefighters and Police Officers Pension Plan - defined contribution component (closed plan)** - The employees are entitled to contributions made on their behalf after 100 percent vesting. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new members in FY 2004 and converted to a defined benefit plan. Employees in the plan at date of conversion could leave their contributions in the defined contribution component or purchase prior service with the assets associated with their contributions.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Firefighters and Police Officers Pension Plan - defined benefit component** - The plan provisions were approved by City Council in FY 2004 and provide retirement benefits for covered employees who retire at age 55 with 5 years of service or any age with 25 years of service. The retirees are entitled to 2.5 % of the participant's average monthly compensation (AMC), multiplied by the years of credited service up to 20 years; plus 3.2 % of the participant's AMC, multiplied by years of credited service in excess of 20 years. The maximum benefit is 82% of the AMC. The plan also allows for early retirement at age 50 with 20 years of service with reduced benefits.

**Firefighters and Police Officers Pension Plan - disability component** - The plan provisions provide disability benefits for firefighters and police officers. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 50 percent for non-service connected partial disability. Benefits provisions are established and may be amended by City Ordinance. Effective January 1, 2004, this plan was merged with the Firefighters and Police Officers Pension Plan. Separate actuarial calculations have been performed for the defined benefit and disability components.

**Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians** - This plan provides for benefits to be distributed in the case of termination, retirement, death, or disability to deputy sheriffs, fire marshals and emergency rescue technicians. Distribution options include cash distribution, annuities, or a combination of the two. Benefit provisions are established and may be amended by City Ordinance.

**NOTE 18. TERMINATION BENEFITS**

The City provided termination benefits to six employees in fiscal year 2010. The benefits consisted of three to six weeks of pay based on completed years of service. The total cost to the City was \$87,705. There were no other benefits provided.

**NOTE 19. ACCOUNTING CHANGES AND RESTATEMENTS**

During the fiscal year ended June 30, 2010, the City adopted:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer softer. See Note 5 and table below for detailed information.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The implementation of this statement did not have a material impact on the financial statements.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The implementation of this statement did not have a material impact on the financial statements.

The following table shows beginning net capital assets restated for the effects of implementation of GASB Statement No. 51:

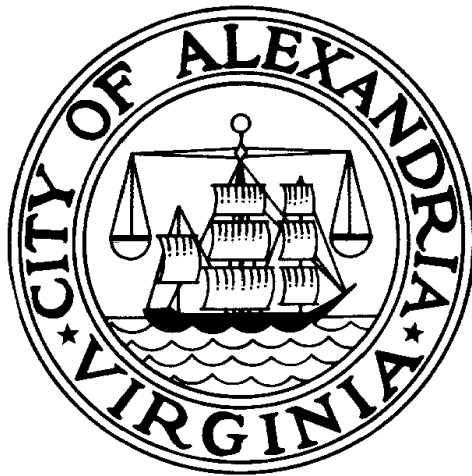
Capital Net Assets at June 30, 2009 – Primary Government	\$ 549,402,396
Net Intangible Assets (Net of Accumulated Depreciation)	709,649
Restated Net Assets as of July 1, 2009	<u>\$ 550,112,045</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2010**

**Exhibit XII**  
**(Continued)**

**NOTE 20. SUBSEQUENT EVENTS**

On July 20, 2010 the City Council issued \$72.3 million in General Obligation bonds. The bonds were issued with an original issue premium of \$1.9 million and a true interest cost of 2.93 percent. The issuance included \$17 million for shorter-term traditional tax-exempt bonds. The issuance also included \$55.3 million in taxable Build America Bonds for which the federal government provides a 35% interest subsidy. The \$72.3 million bonds will be used to finance public school facility improvement; police headquarters building maintenance; contributions to DASH bus system and Metro bus and rail system; and streets, sewers and other infrastructure costs.





REQUIRED  
SUPPLEMENTARY  
INFORMATION  
(Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 25, No. 27, No. 34, No. 43 and No.45 the following information is a required part of the basic financial statements.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2010**

**EXHIBIT XIII**

	<b>Original Budget</b>	<b>Budget as Amended</b>	<b>Actual</b>	<b>Variance from Amended Budget - Positive (Negative)</b>
<b>Revenues:</b>				
General Property Taxes.....	\$ 329,451,111	\$ 329,451,111	\$ 337,220,918	\$ 7,769,807
Other Local Taxes.....	115,930,000	115,930,000	114,371,351	(1,558,649)
Permits, Fees, and Licenses.....	5,367,759	5,367,759	4,811,588	(556,171)
Fines and Forfeitures.....	4,781,325	4,781,325	3,941,372	(839,953)
Use of Money and Property.....	3,859,476	3,859,476	3,033,638	(825,838)
Charges for Services.....	12,852,808	12,852,808	13,803,578	950,770
Intergovernmental Revenues.....	53,357,645	53,776,503	52,465,911	(1,310,592)
Miscellaneous.....	785,987	785,987	787,960	1,973
<b>Total Revenues</b> .....	<b>\$ 526,386,111</b>	<b>\$ 526,804,969</b>	<b>\$ 530,436,316</b>	<b>\$ 3,631,347</b>
<b>Expenditures:</b>				
City Council.....	\$ 524,157	\$ 524,157	\$ 483,902	\$ 40,255
City Manager.....	1,654,638	1,654,638	1,631,203	23,435
Office on Women.....	1,321,444	1,321,444	1,304,100	17,344
Citizens Assistance.....	557,595	565,590	545,360	20,230
Office of Management and Budget.....	1,139,968	1,139,968	1,102,234	37,734
18th Circuit Court.....	1,340,904	1,340,904	1,322,398	18,506
18th General District Court.....	79,228	79,228	52,881	26,347
Juvenile And Domestic Relations Court.....	34,155	34,155	28,108	6,047
Commonwealth's Attorney.....	2,626,465	2,626,465	2,405,320	221,145
Sheriff.....	25,826,168	25,831,293	25,704,371	126,922
Clerk of Courts.....	1,563,551	1,563,551	1,503,428	60,123
Other Correctional Activities.....	5,173,292	5,173,292	5,147,156	26,136
Court Services.....	1,282,262	1,282,262	1,273,202	9,060
Human Rights.....	614,003	614,003	561,280	52,723
Internal Audit.....	223,233	223,233	217,445	5,788
Information Technology Services.....	6,504,441	6,659,935	6,413,983	245,952
Office of Communications.....	1,306,261	1,330,221	1,132,319	197,902
City Clerk and Clerk of Council.....	419,178	421,330	368,394	52,936
Finance.....	8,496,407	9,260,682	8,589,975	670,707
Real Estate Assessments.....	1,516,494	1,516,494	1,467,395	49,099
Human Resources.....	3,090,821	2,965,408	2,847,170	118,238
Planning and Zoning.....	8,820,589	9,104,346	8,693,065	411,281
City Attorney.....	2,806,519	2,806,519	2,294,946	511,573
Registrar of Voters.....	1,070,439	1,070,439	1,014,068	56,371
General Services.....	11,400,484	11,477,020	11,369,943	107,077
Procurement.....	910,105	910,105	873,964	36,141
Transportation and Environmental Services.....	27,157,855	27,408,779	26,308,499	1,100,280
Transit Subsidies.....	8,336,685	8,329,696	5,168,369	3,161,327
Fire.....	39,443,967	39,553,474	39,338,983	214,491
Police.....	53,632,400	53,659,456	51,980,201	1,679,255
Mental Health/Mental Retardation and Substance Abuse.....	514,292	525,292	521,429	3,863
Health.....	7,904,606	8,010,541	7,598,198	412,343
Human Services.....	9,730,287	9,977,736	9,172,505	805,231
Human Services Contributions.....	2,033,259	2,100,098	2,081,514	18,584
Office of Historic Alexandria.....	2,533,323	2,600,063	2,597,967	2,096
Recreation and Cultural Activities.....	18,949,746	18,926,775	18,150,627	776,148
Other Educational Activities.....	12,304	12,304	12,304	-
Non Departmental (including debt service).....	52,546,592	48,619,352	48,182,134	437,218
<b>Total Expenditures</b> .....	<b>\$ 313,098,117</b>	<b>\$ 311,220,248</b>	<b>\$ 299,460,340</b>	<b>\$ 11,759,908</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In.....	\$ 1,301,560	\$ 1,301,560	\$ 1,301,560	\$ -
Operating Transfers Out.....	(41,636,256)	(46,788,223)	(42,940,615)	3,847,608
Transfers Out - Component Units.....	(178,368,645)	(179,538,720)	(179,538,720)	-
<b>Total Other Financing Sources (Uses)</b> .....	<b>\$ (218,703,341)</b>	<b>\$ (225,025,383)</b>	<b>\$ (221,177,775)</b>	<b>\$ 3,847,608</b>
Net Change in Fund Balance.....	\$ (5,415,347)	\$ (9,440,662)	\$ 9,798,201	\$ 19,238,863
Fund Balances at Beginning of Year.....	53,306,991	53,306,991	53,306,991	-
<b>Increase/(Decrease) in Reserve for Inventory</b> .....	<b>-</b>	<b>-</b>	<b>(63,821)</b>	<b>(63,821)</b>
<b>FUND BALANCES AT END OF YEAR</b> .....	<b>\$ 47,891,644</b>	<b>\$ 43,866,329</b>	<b>\$ 63,041,371</b>	<b>\$ 19,175,042</b>

(See Accompanying Independent Auditors' Report and Notes to Schedules)

**CITY OF ALEXANDRIA, VIRGINIA**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit XIV**

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance From Amended Budget Positive (Negative)</u>
<b>Revenues:</b>				
Use of Money and Property.....	\$ 6,000	6,000	201,445	\$ 195,445
Charges for Services.....	14,191,049	14,684,453	11,002,812	(3,681,641)
Permits, Fees and Licenses.....	276,350	276,350	-	(276,350)
Intergovernmental Revenues.....	40,150,104	65,750,707	44,261,307	(21,489,400)
Miscellaneous.....	999,188	3,019,888	2,852,336	(167,552)
<b>Total Revenues.....</b>	<b>\$ 55,622,691</b>	<b>\$ 83,737,398</b>	<b>\$ 58,317,900</b>	<b>\$ (25,419,498)</b>
<b>Other Financing Sources:</b>				
Operating Transfers In.....	\$ 37,807,716	\$ 37,885,369	\$ 38,331,691	\$ 446,322
Total Other Financing Sources.....	\$ 37,807,716	\$ 37,885,369	\$ 38,331,691	\$ 446,322
<b>Total Revenues and Other Financing Sources.....</b>	<b>\$ 93,430,407</b>	<b>\$ 121,622,767</b>	<b>\$ 96,649,591</b>	<b>\$ (24,973,176)</b>
<b>Expenditures:</b>				
Office of Women.....	\$ 492,860	548,130	490,129	\$ 58,001
Citizens Assistance.....	5,498	15,798	5,103	10,695
Commonwealth's Attorney.....	239,554	273,706	250,213	23,493
Sheriff.....	1,061,142	1,353,625	1,231,620	122,005
Clerk of Courts.....	-	100,680	75,650	25,030
Law Library.....	163,713	163,713	156,629	7,084
Other Correctional and Judicial Activities.....	193,358	193,358	193,358	-
Court Services.....	237,834	617,360	195,443	421,917
Human Rights.....	35,100	51,100	50,131	969
Personnel.....	6,000	16,000	14,646	1,354
Finance.....	205,193	220,193	219,049	1,144
Planning.....	-	785,007	362,923	422,084
General Services.....	148,908	804,708	157,794	646,914
Transportation and Environmental Services.....	2,343,979	8,667,964	2,422,130	6,245,834
Fire.....	1,107,980	1,924,230	1,748,611	175,619
Police.....	32,295	728,112	633,988	94,124
Office of Housing.....	4,252,462	8,872,823	5,272,424	3,600,399
Mental Health/Mental Retardation and Substance Abuse.....	30,189,399	31,047,014	29,578,835	1,468,179
Health.....	-	25,565	3,842	21,723
Human Services.....	44,874,086	49,472,517	41,552,729	7,919,788
Office of Historic Alexandria.....	507,907	758,935	383,631	375,304
Recreation and Cultural Activities.....	313,740	1,522,240	617,527	904,713
Non Departmental.....	1,000,000	7,440,590	7,428,651	11,939
<b>Total Expenditures.....</b>	<b>\$ 87,411,008</b>	<b>\$ 115,603,368</b>	<b>\$ 93,045,056</b>	<b>\$ 22,558,312</b>
<b>Other Financing Uses:</b>				
Operating Transfers Out.....	\$ 6,019,399	6,019,399	5,913,543	\$ 105,856
<b>Total Other Financing Uses.....</b>	<b>\$ 6,019,399</b>	<b>\$ 6,019,399</b>	<b>\$ 5,913,543</b>	<b>\$ 105,856</b>
<b>Total Expenditures and Other Financing Uses.....</b>	<b>\$ 93,430,407</b>	<b>\$ 121,622,767</b>	<b>\$ 98,958,599</b>	<b>\$ 22,664,168</b>
<b>Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,309,008)</b>	<b>\$ (2,309,008)</b>
Fund Balances at Beginning of Year.....	\$ -	\$ -	\$ 24,803,357	\$ 24,803,357
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,494,349</b>	<b>\$ 22,494,349</b>

(See Accompanying Independent Auditors' Report and Notes to Schedules)

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2010**

**Exhibit XV**

**(1) SUMMARY OF SIGNIFICANT BUDGET POLICIES**

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On June 13, 2009, the City Council approved the original adopted budget and on June 12, 2010 approved the revised budget reflected in the required supplementary information.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the required supplementary information for all funds with annual budgets, compare the revenues and expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General and Special Revenue Funds present actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budgets, as amended. See Table XVII for the schedule of departments' expenditure detail by function. A reconciliation of the perspective difference for reporting Expenditures and Other Financing Uses in the General Fund relates to how transfers to component units are recorded in each statement and includes the following:

<b>General Fund</b>				
Budget Statement Title	Budgetary Statement Amount	Adjustment for Transfer to Component Unit (Footnote 10)	Exhibit IV	Exhibit IV Title
Other Educational Activities	\$ 12,304	\$ 165,555,960	\$ 165,568,264	Education
Transit Subsidies	5,168,369	7,907,789	13,076,158	Transit
Library Transfer	-	6,074,971	6,074,971	Library
Other Expenditures (not listed separately)	294,279,667	-	294,279,667	Other Expenditures (not listed separately)
<b>Total Expenditures</b>	<b>\$ 299,460,340</b>	<b>\$ 179,538,720</b>	<b>\$ 478,999,060</b>	<b>Total Expenditures</b>
Transfers Out – Component Units	\$ 179,538,720	\$ (179,538,720)	\$ -	None
Operating Transfers Out	42,940,615	-	42,940,615	Operating Transfers Out
Other Financing	(1,301,560)	-	(1,301,560)	Other Expenditures (not listed separately)
<b>Total Financing (Sources) Uses</b>	<b>\$ 221,177,775</b>	<b>(179,538,720)</b>	<b>41,639,055</b>	<b>Total Financing Uses</b>

Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Public Employee Retirement Systems - Primary Government**  
**Required Supplementary Information**  
**June 30, 2010**

**Exhibit XVI**

**SCHEDULE OF FUNDING PROGRESS**

		(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1/2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll ((2-1)/5)
City Supplemental Pension (a)	06/30/2006	\$ 65,143,405	\$ 96,974,375	\$ 31,830,970	67.18%	\$ 116,853,571	27.24%
	06/30/2007	77,046,696	107,983,990	30,937,294	71.35%	123,522,516	25.05%
	06/30/2008	76,275,945	117,964,452	41,688,507	64.66%	126,492,987	32.96%
	06/30/2009	69,806,595	123,842,600	54,036,005	56.37%	125,803,615	42.95%
Pension for Fire and Police**	06/30/2004	\$ 35,362,688	\$ 42,580,064	\$ 7,217,376	83.05%	\$ 61,778	11682.76%
	06/30/2005	33,410,759	43,482,216	10,071,457	76.84%	63,012	15983.40%
	06/30/2006	30,940,298	43,895,855	12,955,557	70.49%	71,935	18010.09%
	06/30/2007	30,875,740	42,511,290	11,635,550	72.63%	72,987	15941.95%
	06/30/2008	29,043,189	47,171,730	18,128,541	61.57%	N/A	N/A
	06/30/2009	27,946,279	44,821,166	16,874,887	62.35%	N/A	N/A
Firefighters and Police Pension	07/01/2004	\$ 78,577,979	\$ 115,340,503	\$ 36,762,524	68.13%	\$ 25,268,564	145.49%
	07/01/2005	88,534,386	135,445,004	46,910,618	65.37%	29,132,558	161.02%
	07/01/2006	100,513,967	152,624,962	52,110,995	65.86%	31,961,191	163.04%
	07/01/2007	115,782,806	167,092,854	51,310,048	69.29%	32,564,077	157.57%
	07/01/2008	133,567,658	181,469,715	47,902,057	73.60%	33,485,674	143.05%
	07/01/2009	138,100,526	194,321,125	56,220,599	71.07%	33,261,971	169.02%
Fire and Police Disability	07/01/2004	\$ 12,601,146	\$ 8,638,183	\$ (3,962,963)	145.88%	\$ 25,268,564	-15.68%
	07/01/2005	13,337,719	8,947,524	(4,390,195)	149.07%	29,132,558	-15.07%
	07/01/2006	13,830,273	12,568,299	(1,261,974)	110.04%	31,961,191	-3.95%
	07/01/2007	14,398,259	15,638,422	1,240,163	92.07%	32,564,077	3.81%
	07/01/2008	14,305,285	16,804,777	2,499,492	85.13%	33,485,674	7.46%
	07/01/2009	13,542,378	19,153,249	5,610,871	70.71%	33,261,971	16.87%
Virginia Retirement System	06/30/2004	\$ 244,033,928	\$ 240,500,266	\$ (3,533,662)	101.47%	\$ 90,113,045	-3.92%
	06/30/2005	250,705,689	286,667,574	35,961,885	87.46%	93,142,752	38.61%
	06/30/2006	265,845,121	312,274,142	46,429,021	85.13%	100,219,243	46.33%
	06/30/2007	302,085,645	344,775,571	42,689,926	87.62%	108,719,495	39.27%
	06/30/2008	334,817,687	378,308,775	43,491,088	88.50%	114,427,304	38.01%
	06/30/2009	341,519,985	401,354,110	59,834,125	85.09%	115,516,783	51.80%

\*\* The Pension Plan for Fire and Police is a closed plan with no active participant.

(a) The aggregate actuarial cost method was changed to entry age cost method for City Supplemental pension plan during fiscal year 2007. Only four years of information was available. This will be expanded when information becomes available.

Six-year historical information of City's defined benefit pension plans is presented to help users assess each plan's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of each plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

**See Accompanying Independent Auditors' Report**

**CITY OF ALEXANDRIA, VIRGINIA**  
**Public Employee Retirement Systems - Primary Government**  
**Required Supplementary Information**  
**June 30, 2010**

**Exhibit XVI**  
**(Continued)**

**SCHEDULES OF EMPLOYER CONTRIBUTIONS**

**For Defined Benefit Pension Plans**

<b>City Supplemental Retirement</b>		
<b>Actuarial Date</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
06/30/2005	\$ 3,172,787	82.70%
06/30/2006	4,271,649	100.90%
06/30/2007	4,811,560	98.61%
06/30/2008	5,419,262	99.81%
06/30/2009	6,381,581	80.07%
06/30/2010	10,284,656	72.11%

**Firefighters and Police Pension**

06/30/2005	\$ 4,890,046	108.30%
06/30/2006	5,938,572	97.90%
06/30/2007	6,985,282	91.25%
06/30/2008	7,116,057	101.49%
06/30/2009	7,184,309	98.65%
06/30/2010	7,916,599	89.20%

**Fire and Police Disability**

06/30/2005	\$ 347,672	180.90%
06/30/2006	414,340	165.80%
06/30/2007	1,455,223	51.71%
06/30/2008	1,610,278	47.88%
06/30/2009	1,244,853	116.07%
06/30/2010	1,469,682	107.80%

<b>Pension Plan for Fire and Police</b>		
<b>Actuarial Date</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
06/30/2005	\$ 1,547,955	58.27%
06/30/2006	932,554	113.50%
06/30/2007	1,187,836	126.30%
06/30/2008	1,209,549	70.27%
06/30/2009	1,679,131	101.71%
06/30/2010	1,623,492	103.40%

**Virginia Retirement System**

06/30/2005	\$ 1,386,592	100.00%
06/30/2006	1,470,239	100.00%
06/30/2007	7,077,570	100.00%
06/30/2008	7,490,208	100.00%
06/30/2009	8,149,979	100.00%
06/30/2010	7,977,375	100.00%

**See Accompanying Independent Auditors' Report**

**CITY OF ALEXANDRIA, VIRGINIA**  
**Other Post Employment Benefits (OPEB)**  
**Required Supplementary Information**  
**June 30, 2010**

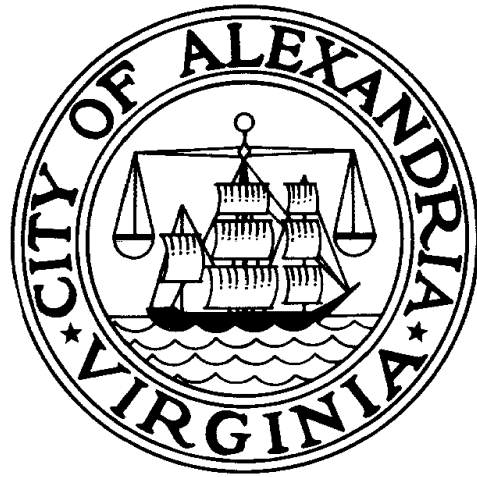
**Exhibit XVI**  
**(Continued)**

**SCHEDULE OF FUNDING PROCESS**

	(1)	(2)	(3)	(4)	(5)	(6)
		Actuarial	Unfunded			UAAL as a
Actuarial	Actuarial	Accrued	AAL	Funded	Annual	Percentage of
Valuation	Value of	Liability	(UAAL)	Ratio	Covered	Covered Payroll
Date	Assets	(AAL)	(2)-(1)	(1/2)	Payroll	((2-1)/5)
12/31/2007	-	84,545,602	84,545,602	0.00%	142,475,212	59.34%
12/31/2008	4,316,727	89,900,789	85,584,062	4.80%	146,884,002	58.27%
12/31/2009	8,201,742	90,681,046	82,479,304	9.04%	147,006,590	56.11%

Only three years' information was available. This will be expanded when information becomes available.

**See Accompanying Independent Auditors' Report**





# **OTHER SUPPLEMENTARY INFORMATION**

## Agency Funds

Agency Funds are City custodial funds used to provide accountability of client monies for which the City is custodian.

***Human Services Special Welfare Account*** – This fund accounts for the current payments of supplemental security income for foster children.

***Human Services Dedicated Account*** – This fund accounts for back payments of supplemental security income for foster children.

***Industrial Development Authority Agency Fund*** – This fund accounts for Industrial Development Authority bond issuance fees and expenses, for which the City acts in a custodial capacity.

***Potomac Yard Affordable Housing*** – This fund accounts for affordable housing donations received from Potomac Yard Development LLC for the purpose of constructing affordable housing.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Combining Schedules of Changes in Assets and Liabilities – Agency Funds**  
**For the Fiscal Year Ended June 30, 2010**

**Schedule 1**

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<b>HUMAN SERVICES SPECIAL WELFARE ACCOUNT</b>				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 7,241	\$ 40,723	24,113	\$ 23,851
Liabilities:				
Other Liabilities.....	\$ 7,241	\$ 40,723	24,113	\$ 23,851
Total Liabilities.....	<u>\$ 7,241</u>	<u>\$ 40,723</u>	<u>\$ 24,113</u>	<u>\$ 23,851</u>
<b>HUMAN SERVICES DEDICATED ACCOUNT</b>				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 23,742	\$ 12,485	\$ -	\$ 36,227
Liabilities:				
Other Liabilities.....	\$ 23,742	\$ 12,485	\$ -	\$ 36,227
Total Liabilities.....	<u>\$ 23,742</u>	<u>\$ 12,485</u>	<u>\$ -</u>	<u>\$ 36,227</u>
<b>INDUSTRIAL DEVELOPMENT AUTHORITY</b>				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 651,285	\$ 92,788	230,247	\$ 513,826
Liabilities:				
Other Liabilities.....	\$ 651,285	\$ 92,788	\$ 230,247	\$ 513,826
Total Liabilities.....	<u>\$ 651,285</u>	<u>\$ 92,788</u>	<u>\$ 230,247</u>	<u>\$ 513,826</u>
<b>POTOMAC YARD AFFORDABLE HOUSING -ASLLC</b>				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 30,346	\$ 8,860,361	\$ 8,873,528	\$ 17,179
Liabilities:				
Other Liabilities.....	\$ 30,346	\$ 8,860,361	\$ 8,873,528	\$ 17,179
Total Liabilities.....	<u>\$ 30,346</u>	<u>\$ 8,860,361</u>	<u>\$ 8,873,528</u>	<u>\$ 17,179</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 681,631	\$ 8,953,149	\$ 9,103,775	\$ 531,005
Cash and Investments with Fiscal Agent.....	30,983	53,208	24,113	60,078
Total Assets.....	<u>\$ 712,614</u>	<u>\$ 9,006,357</u>	<u>\$ 9,127,888</u>	<u>\$ 591,083</u>
Liabilities:				
Other Liabilities.....	\$ 712,614	\$ 9,006,357	\$ 9,127,888	\$ 591,083
Total Liabilities.....	<u>\$ 712,614</u>	<u>\$ 9,006,357</u>	<u>\$ 9,127,888</u>	<u>\$ 591,083</u>

**CITY OF ALEXANDRIA, VIRGINIA**

**Statement of Cash Flows**

**Component Unit**

**Alexandria Transit Company**

**As of June 30, 2010**

**Schedule 2**

Cash Flows from Operating Activities:

Cash Received from Customers.....	\$	3,725,384
Cash payments to Suppliers for Goods and Services.....		(3,276,491)
Cash Payments to Employees for Services.....		(8,162,125)
Net Cash Used for Operating Activities.....	\$	(7,713,232)

Cash Flows from Noncapital Financing Activities:

Payments from Primary Government.....	7,907,789
Cash from other non revenue receipts.....	4,921
Cash received from Non Operating Grant.....	216,799
Net Cash provided by Noncapital Financing Activities.....	\$ 8,129,509

Cash Flows from Capital and Related Financing Activities:

Acquisition/Sale of Capital Assets.....	\$ (103,087)
Net Cash Used for Capital Assets and Related Financing Activities.....	\$ (103,087)

Net Increase in Cash and Cash Equivalents..... \$ 313,190

Cash and Cash Equivalents at Beginning of Year..... 289,534

**Cash and Cash Equivalents at End of Year..... \$ 602,724**

Reconciliation of Operating Loss to Cash Used for Operating Activities:

Operating Loss..... \$ (9,557,150)

Adjustments to Reconcile Operating Loss to Net Cash Used for

Operating Activities:

Depreciation Expense..... \$ 1,539,342

Changes in Assets and Liabilities:

Decrease (Increase) in Accounts Receivable..... 248,233

Decrease (Increase) in Inventory of Supplies..... (55,142)

Decrease (Increase) in Prepaid Expenses..... -

Decrease (Increase) in Accounts Payable..... 19,150

Decrease (Increase) in Accrued Liabilities..... 7,556

Decrease (Increase) in Other Liabilities..... 84,779

Total Adjustments..... \$ 1,843,918

**Net Cash Used for Operating Activities..... \$ (7,713,232)**

Noncash Capital and Related Financing Activities:

During Fiscal Year 2010, the City did not transfer any capital assets to Alexandria Transit.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Combining Balance Sheet**  
**Special Revenue Funds**  
**As of June 30, 2010**

**Schedule 3**

	<b>Housing</b>	<b>Sewer</b>	<b>Other Special Revenue</b>	<b>Total Combined Special Revenue</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,903,842	\$ 5,372,013	\$ 8,547,386	\$ 18,823,241
Cash and Investments with Fiscal Agents	-	-	114,627	114,627
Receivables, Net	2,650,025	1,014,019	25,248	3,689,292
Due From Other Governments	976,062	-	8,594,707	9,570,769
Prepaid and Other Assets	90,000	-	55,742	145,742
Total Assets	<u>\$ 8,619,929</u>	<u>\$ 6,386,032</u>	<u>\$ 17,337,710</u>	<u>\$ 32,343,671</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 66,200	12,001	\$ 2,492,032	\$ 2,570,233
Accrued Wages	82,631	61,363	2,258,258	2,402,252
Unearned Revenue	-	-	4,876,837	4,876,837
Total Liabilities	<u>\$ 148,831</u>	<u>\$ 73,364</u>	<u>\$ 9,627,127</u>	<u>\$ 9,849,322</u>
<b>FUND BALANCES</b>				
Reserved for:				
Receivable, net	\$ 2,650,025	\$ -	\$ -	\$ 2,650,025
Encumbrances	347,723	140,653	3,383,469	3,871,845
Unreserved	5,473,350	6,172,015	4,327,114	15,972,479
Total Fund Balances	<u>\$ 8,471,098</u>	<u>\$ 6,312,668</u>	<u>\$ 7,710,583</u>	<u>\$ 22,494,349</u>
Total Liabilities and Fund Balances	<u><u>\$ 8,619,929</u></u>	<u><u>\$ 6,386,032</u></u>	<u><u>\$ 17,337,710</u></u>	<u><u>\$ 32,343,671</u></u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Special Revenue Funds**  
**As of June 30, 2010**

**Schedule 4**

	<u>Housing</u>	<u>Sewer</u>	<u>Other Special Revenue</u>	<u>Total Combined Special Revenue</u>
<b>REVENUES</b>				
Use of Money and Property	13,094	-	188,351	201,445
Charges for Services	-	3,519,802	7,483,010	11,002,812
Intergovernmental Revenue	2,268,820	-	41,992,487	44,261,307
Miscellaneous	991,434	-	1,860,902	2,852,336
Total Revenues	<u>\$ 3,273,348</u>	<u>\$ 3,519,802</u>	<u>\$ 51,524,750</u>	<u>\$ 58,317,900</u>
<b>EXPENDITURES</b>				
Current Operating:				
General Government	\$ -	\$ -	\$ 728,343	\$ 728,343
Judicial Administration	-	-	1,100,141	1,100,141
Public Safety	-	-	3,384,983	3,384,983
Public Works	-	1,490,033	7,545,135	9,035,168
Health and Welfare	-	-	71,069,187	71,069,187
Culture and Recreation	-	-	1,006,649	1,006,649
Community Development	5,272,424	-	1,448,161	6,720,585
Total Expenditures	<u>\$ 5,272,424</u>	<u>\$ 1,490,033</u>	<u>\$ 86,282,599</u>	<u>\$ 93,045,056</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,999,076)</u>	<u>\$ 2,029,769</u>	<u>\$ (34,757,849)</u>	<u>\$ (34,727,156)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,677,128	-	35,654,563	38,331,691
Transfers Out	(42,029)	(5,612,189)	(259,325)	(5,913,543)
Total Other Financing Sources and Uses	<u>\$ 2,635,099</u>	<u>\$ (5,612,189)</u>	<u>\$ 35,395,238</u>	<u>\$ 32,418,148</u>
 Total other financing sources (uses) and special items	 <u>2,635,099</u>	 <u>(5,612,189)</u>	 <u>35,395,238</u>	 <u>32,418,148</u>
Net Change in Fund Balance	<u>\$ 636,023</u>	<u>\$ (3,582,420)</u>	<u>\$ 637,389</u>	<u>\$ (2,309,008)</u>
Fund Balance at Beginning of Year	<u>7,835,075</u>	<u>9,895,088</u>	<u>7,073,194</u>	<u>24,803,357</u>
Fund Balance at End of Year	<u>\$ 8,471,098</u>	<u>\$ 6,312,668</u>	<u>\$ 7,710,583</u>	<u>\$ 22,494,349</u>

# **STATISTICAL SECTION**

The statistical section includes detail information to assist in understanding how the financial statements relate to the City's overall financial well-being and includes the following categories:

**Financial trends:** These tables assist users in understanding how the City's financial position has changed over time and include the following tables:

Table I - Schedule of Changes in Net Assets

Table II - Changes in Fund Balances Governmental Funds

Table VII - Net assets

Table VIII - Fund Balances Governmental Funds

Table XXII - Five-Year Summary of General Fund Revenues and Expenditure

**Revenue Capacity:** These tables assist in understanding and assessing the City's own source revenues and include the following tables:

Table III - Tax Revenues by Source

Tables IV and V - Tax Levies and Collections

Table VI - Real and Personal Property Tax Assessments and Rates

Table IX - 2010 Tax Rates for Major Revenue Sources

Table XV and XVI - Principal Taxpayers

**Debt Capacity:** These tables present information to assist in assessing the affordability of the City's current levels of debt and the City's ability to issue additional debt in the future and include:

Table X - Legal Debt Margin Information

Table XI - Ratio of Net General Debt to Assessed Value and Net Debt Per Capita

Table XXII - Overlapping Debt and Debt History

Table XIII - Ratio of Annual Debt Service Expenditures for Net General Debt to Total General Expenditures

Table XXIII - Summary of Total General Obligation Bonds Debt Service



**Demographic and Economic Information:** These tables include demographic and economic information to assist in understanding the external factors that affect the City’s financial activities and include:

Table XIV - Population and Per Capita Income

Table XVII - Alexandria City School Board Demographic Statistics

Table XVIII - Government Employees By Function

Table XIX - Principal Employers

Table XXI - Miscellaneous Statistical Data

**Operating information:** These tables include service and capital data to assist in understanding how financial information relates to the programs and activities the City performs and includes:

Table XX – Operating and Capital Indicators

**CITY OF ALEXANDRIA, VIRGINIA**  
**Schedule of Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(In millions)**

**TABLE I**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 40.3	\$ 45.1	\$ 47.4	\$ 56.5	\$ 47.7	\$ 47.5	\$ 63.6	\$ 64.6	\$ 79.5	\$ 61.1
Judicial Administration	11.5	12.5	13.0	14.0	14.6	15.6	17.7	19.3	19.3	19.3
Public Safety	73.6	83.2	88.4	94.9	96.5	106.9	112.3	114.5	120.5	118.3
Public Works	33.3	33.5	36.9	44.1	40.0	41.1	44.3	48.8	48.5	19.5
Library	4.2	4.8	5.1	5.5	6.0	6.4	6.8	6.9	6.8	6.1
Health and Welfare	61.5	66.8	71.9	73.9	79.4	84.3	89.4	96.2	97.3	90.8
Transit	7.1	6.8	11.9	9.1	10.5	12.5	14.1	14.1	12.5	13.1
Culture and Recreation	14.1	17.2	20.8	21.3	26.1	25.3	26.9	30.4	28.1	25.9
Community Development	8.9	11.9	13.5	16.2	16.1	24.4	35.0	40.6	30.4	21.0
Education	116.4	110.7	123.4	128.6	142.2	139.9	153.7	168.5	173.8	173.3
Interest on Long-term Debt	5.6	7.6	7.1	8.0	9.5	10.4	13.5	12.5	10.9	16.4
Total Governmental Activities	\$ 376.5	\$ 400.1	\$ 439.3	\$ 472.0	\$ 488.6	\$ 514.4	\$ 577.3	\$ 616.4	\$ 627.6	\$ 564.8
Subtotal Governmental Activities Expenses	\$ 376.5	\$ 400.1	\$ 439.3	\$ 472.0	\$ 488.6	\$ 514.4	\$ 577.3	\$ 616.4	\$ 627.6	\$ 564.8
Business-type Activities:										
Recycling	\$ 0.6	\$ 0.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal Business-type Activities:	\$ 0.6	\$ 0.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Primary Government Expenses	\$ 377.1	\$ 400.6	\$ 439.3	\$ 472.0	\$ 488.6	\$ 514.4	\$ 577.3	\$ 616.4	\$ 627.6	\$ 564.8
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.3	\$ 5.6	\$ 1.4	\$ 2.0
Judicial Administration	1.2	1.3	1.7	1.9	2.0	2.0	2.0	1.9	1.6	1.5
Public Safety	8.2	8.2	6.5	7.6	8.4	10.6	11.5	10.7	15.5	11.1
Public Works	8.2	8.2	9.6	10.4	13.2	16.9	16.1	17.4	18.1	18.0
Library	-	-	-	-	-	-	-	-	-	-
Health and Welfare	5.1	4.9	5.2	5.2	5.1	5.4	6.4	6.7	6.6	6.7
Transit	-	-	-	-	-	-	-	-	-	-
Culture and Recreation	1.8	2.0	1.7	1.6	1.7	2.3	2.5	3.0	2.9	3.1
Community Development	0.1	0.1	0.3	0.3	0.3	3.1	4.9	6.0	8.2	1.6
Operating Grants and Contributions	48.2	52.9	60.0	62.5	59.6	60.3	61.0	61.3	63.2	65.2
Capital Grants and Contributions	2.3	12.4	20.0	15.0	5.1	9.9	18.2	7.6	20.5	13.3
Subtotal Governmental Activities	\$ 75.1	\$ 90.0	\$ 105.0	\$ 104.5	\$ 95.4	\$ 110.5	\$ 128.9	\$ 120.2	\$ 138.0	\$ 122.5
Business-type Activities:										
Recycling	0.3	0.1	-	-	-	-	-	-	-	-
Subtotal Business-type Activities:	\$ 0.3	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Primary Government Revenues	\$ 75.4	\$ 90.1	\$ 105.0	\$ 104.5	\$ 95.4	\$ 110.5	\$ 128.9	\$ 120.2	\$ 138.0	\$ 122.5

Amounts may not add due to rounding

**CITY OF ALEXANDRIA, VIRGINIA**  
**Schedule of Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(In millions)**

**TABLE I (continued)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Net (Expense) (Revenue)</b>										
General Government	\$ (40.3)	\$ (45.1)	\$ (47.4)	\$ (56.5)	\$ (47.7)	\$ (47.5)	\$ (57.3)	\$ (57.7)	\$ (77.6)	\$ (58.5)
Judicial Administration	(10.3)	(11.2)	(11.3)	(12.1)	(12.6)	(13.6)	(15.7)	(13.1)	(13.7)	(14.2)
Public Safety	(65.4)	(75.0)	(81.9)	(87.3)	(88.1)	(96.3)	(100.8)	(89.6)	(91.8)	(93.5)
Public Works	(25.1)	(25.3)	(27.3)	(33.7)	(26.8)	(24.2)	(28.2)	(20.7)	(4.8)	19.3
Library	(4.2)	(4.8)	(5.1)	(5.5)	(6.0)	(6.4)	(6.8)	(6.9)	(6.8)	(6.1)
Health and Welfare	(56.4)	(61.9)	(66.7)	(68.7)	(74.3)	(78.9)	(83.0)	(57.2)	(54.7)	(49.1)
Transit	(7.1)	(6.8)	(11.9)	(9.1)	(10.5)	(12.5)	(14.1)	(14.1)	(12.6)	(13.1)
Culture and Recreation	(12.3)	(15.2)	(19.1)	(19.7)	(24.4)	(23.0)	(24.4)	(27.2)	(25.0)	(22.3)
Community Development	(8.8)	(11.8)	(13.2)	(15.9)	(15.8)	(21.3)	(30.1)	(28.9)	(26.0)	(15.2)
Education	(116.4)	(110.7)	(123.4)	(128.6)	(142.2)	(139.9)	(153.7)	(168.5)	(165.7)	(173.3)
Interest on Long-term Debt	(5.6)	(7.6)	(7.1)	(8.0)	(9.5)	(10.4)	(13.5)	(12.4)	(10.9)	(16.3)
Subtotal Governmental Activities	<u>\$ (351.9)</u>	<u>\$ (375.4)</u>	<u>\$ (414.3)</u>	<u>\$ (445.0)</u>	<u>\$ (457.9)</u>	<u>\$ (474.1)</u>	<u>\$ (527.6)</u>	<u>\$ (496.3)</u>	<u>\$ (489.6)</u>	<u>\$ (442.3)</u>
Business-type Activities:										
Recycling	<u>\$ (0.3)</u>	<u>\$ (0.3)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Subtotal Business-type Activities:	<u>(0.3)</u>	<u>(0.3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ (352.3)</u>	<u>\$ (375.8)</u>	<u>\$ (414.3)</u>	<u>\$ (445.0)</u>	<u>\$ (457.9)</u>	<u>\$ (474.1)</u>	<u>\$ (527.6)</u>	<u>\$ (496.3)</u>	<u>\$ (489.6)</u>	<u>\$ (442.3)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities:										
Taxes										
Real Estate	\$ 153.4	\$ 163.5	\$ 189.4	\$ 211.1	\$ 234.3	\$ 255.4	\$ 275.4	\$ 289.3	\$ 296.4	\$ 304.3
Personal Property	27.0	38.5	31.1	31.3	32.0	33.1	35.3	38.6	37.9	32.9
Other	81.7	85.8	88.4	94.2	101.5	109.4	111.0	112.2	112.3	114.3
Transfer	-	-	1.0	-	-	-	-	-	-	-
Grants and Contributions										
not restricted to other programs	26.9	28.9	29.2	30.4	29.5	31.0	32.4	31.8	32.4	31.5
Interest and Investment Earnings	8.4	7.3	3.6	1.7	4.9	9.1	6.9	6.0	1.7	0.4
Miscellaneous	0.5	0.5	0.6	0.3	0.5	0.8	0.6	0.6	1.1	0.8
Subtotal Governmental Activities	<u>\$ 297.9</u>	<u>\$ 324.5</u>	<u>\$ 343.3</u>	<u>\$ 369.1</u>	<u>\$ 402.7</u>	<u>\$ 438.9</u>	<u>\$ 461.6</u>	<u>\$ 478.5</u>	<u>\$ 481.8</u>	<u>\$ 484.2</u>
Business-type Activities:										
Payment for City	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1.0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Subtotal Business-type Activities:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1.0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 297.9</u>	<u>\$ 324.5</u>	<u>\$ 342.3</u>	<u>\$ 369.1</u>	<u>\$ 402.7</u>	<u>\$ 438.9</u>	<u>\$ 461.6</u>	<u>\$ 478.5</u>	<u>\$ 481.8</u>	<u>\$ 484.2</u>
Change in Net Assets										
Governmental Activities:	\$ (54.0)	\$ (50.9)	\$ (71.0)	\$ (75.9)	\$ (55.2)	\$ (35.2)	\$ (66.0)	\$ (17.8)	\$ (7.8)	\$ 41.9
Business-type Activities:	(0.3)	(0.3)	(1.0)	-	-	-	-	-	-	-
	<u>\$ (54.3)</u>	<u>\$ (51.3)</u>	<u>\$ (72.0)</u>	<u>\$ (75.9)</u>	<u>\$ (55.2)</u>	<u>\$ (35.2)</u>	<u>\$ (66.0)</u>	<u>\$ (17.8)</u>	<u>\$ (7.8)</u>	<u>\$ 41.9</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Changes in Fund Balances Governmental Funds**  
**Last Ten Fiscal Years**  
**(In millions)**

**TABLE II**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Property Taxes	\$ 189.8	\$ 205.1	\$ 218.9	\$ 243.5	\$ 265.3	\$ 290.1	\$ 310.8	\$ 324.1	\$ 333.5	\$ 337.2
Other Local Taxes	81.7	84.0	88.1	94.0	101.5	109.5	111.0	112.3	112.3	114.4
Permits Fees and License	4.1	4.2	4.5	4.0	4.5	6.5	7.2	5.8	5.7	4.8
Fines and Forfeitures	4.1	3.9	3.9	4.2	4.0	3.5	3.6	3.9	4.1	3.9
Use of Money and Property	11.2	9.9	6.3	4.6	7.9	12.1	15.8	12.0	6.2	3.8
Charges for Services	14.4	14.2	15.6	16.1	19.2	23.9	23.2	25.8	25.3	27.0
Intergovernmental Revenue	66.3	79.1	92.9	95.4	90.1	92.1	111.5	100.7	116.0	110.1
Sale of Surplus Property	-	-	-	2.8	-	0.5	-	-	-	-
Miscellaneous and										5.5
Non Revenue Receipts	4.8	4.9	4.8	7.6	4.2	5.1	7.3	10.2	15.8	
<b>Total Governmental Revenues</b>	<b>\$ 376.3</b>	<b>\$ 405.3</b>	<b>\$ 435.1</b>	<b>\$ 472.1</b>	<b>\$ 496.7</b>	<b>\$ 543.3</b>	<b>\$ 590.4</b>	<b>\$ 594.8</b>	<b>\$ 618.9</b>	<b>\$ 606.7</b>
Expenditures										
General Government	28.0	30.2	31.9	36.1	37.7	39.6	45.5	43.0	46.7	45.2
Judicial Administration	11.0	12.0	12.5	13.5	14.1	15.0	17.1	18.7	18.9	18.8
Public Safety	71.9	78.2	86.6	89.6	93.8	104.5	109.6	112.2	116.8	115.0
Public Works	27.4	27.5	29.8	30.0	30.1	32.6	35.5	36.7	36.9	42.3
Library	4.1	4.8	5.1	5.5	6.0	6.4	6.8	6.9	6.8	6.1
Health and Welfare	61.0	66.4	71.5	73.5	78.9	83.9	88.9	95.7	96.8	90.2
Transit and Transit Transfer	7.1	6.8	8.5	9.1	10.5	12.5	14.1	14.1	12.5	13.1
Culture and Recreation	12.6	15.0	17.4	18.5	20.1	21.8	23.6	24.5	23.2	21.8
Community Development	8.1	9.5	12.1	13.3	15.1	23.3	31.3	34.4	28.5	19.3
Education	116.4	110.1	122.9	128.0	141.7	139.4	150.7	164.2	168.0	167.5
Capital Outlay	21.6	46.9	49.4	53.4	51.5	79.1	93.5	75.8	100.7	93.4
Debt Service - Principal	6.9	8.6	10.4	10.9	13.2	16.5	17.7	18.2	19.1	19.5
- Interest	5.6	7.6	7.2	7.9	9.6	10.5	13.3	12.3	12.8	15.1
<b>Total Governmental Expenditures</b>	<b>\$ 381.9</b>	<b>\$ 423.5</b>	<b>\$ 465.2</b>	<b>\$ 489.1</b>	<b>\$ 522.3</b>	<b>\$ 585.1</b>	<b>\$ 647.6</b>	<b>\$ 656.7</b>	<b>\$ 687.7</b>	<b>\$ 667.3</b>
Excess of Revenues	\$ (5.6)	\$ (18.2)	\$ (30.1)	\$ (17.0)	\$ (25.6)	\$ (41.8)	\$ (57.2)	\$ (61.9)	\$ (68.8)	\$ (60.6)
over (under ) expenditures										
<b>Other Financing Sources/(Uses)</b>										
Transfers in	45.1	40.5	48.0	45.0	54.7	59.0	49.1	67.8	58.9	48.6
Transfers out	(45.1)	(40.6)	(47.6)	(46.5)	(54.7)	(59.5)	(50.0)	(67.8)	(58.2)	(48.9)
Sale of Land	0.2	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0.2</b>	<b>\$ (0.1)</b>	<b>\$ 0.4</b>	<b>\$ (1.6)</b>	<b>\$ -</b>	<b>\$ (0.5)</b>	<b>\$ (0.9)</b>	<b>\$ -</b>	<b>\$ 0.7</b>	<b>\$ (0.3)</b>
Net change in Fund Balance	\$ (5.4)	\$ (18.3)	\$ (29.7)	\$ (18.6)	\$ (25.6)	\$ (42.3)	\$ (58.1)	\$ (61.9)	\$ (68.1)	\$ (60.9)
Debt Service as percentage of general governmental funds	3.47%	4.30%	4.23%	4.31%	4.84%	5.34%	5.59%	5.25%	5.43%	6.03%

Amounts may not add due to rounding

**City of Alexandria, Virginia**  
**Tax Revenues by Source**  
**Last Ten Fiscal Years**

**TABLE III**

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Fiscal Year		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Property Taxes	Real Estate	\$ 152,560,694	\$ 164,959,409	\$ 186,431,815	\$ 210,922,789	\$ 232,528,457	\$ 255,141,063	\$ 274,477,589	\$ 287,344,299	\$ 295,518,893	\$ 302,666,192
	Personal	35,222,613	38,331,453	30,745,962	30,944,059	31,243,560	33,163,126	34,487,106	34,883,037	36,023,945	32,923,178
	Penalties and Interest	1,992,370	1,854,835	1,761,585	1,657,926	1,514,783	1,751,503	1,856,927	1,885,683	1,939,225	1,631,548
Other Local Taxes	Local Sales	\$ 20,730,807	\$ 20,316,345	\$ 21,216,124	\$ 22,541,886	\$ 23,812,277	\$ 25,264,689	\$ 25,440,638	\$ 24,256,803	\$ 21,679,635	\$ 22,744,483
	Utility	16,937,315	17,761,931	17,793,919	18,570,290	18,520,667	17,587,865	13,836,170	10,019,854	10,409,248	10,462,233
	Business License	20,762,586	22,233,330	23,679,889	25,601,366	27,098,032	28,381,583	30,947,412	32,026,526	30,527,956	30,295,624
	Cable TV Franchise License	901,777	1,025,474	978,574	1,089,381	1,154,576	1,240,841	720,926	-	-	-
	Motor Vehicle License	2,247,172	2,285,722	2,313,054	2,427,656	2,460,980	2,461,023	2,429,078	3,197,576	3,085,288	3,172,254
	Bank Franchise	1,403,375	1,294,376	1,922,095	1,111,691	1,364,270	1,784,565	1,540,550	1,263,689	1,855,496	2,432,312
	Tobacco	1,607,292	1,597,140	2,083,135	2,430,092	2,277,366	2,840,486	2,932,386	2,681,573	2,719,084	2,910,382
	Recordation	2,028,522	2,494,425	3,262,783	4,046,517	7,244,022	7,818,676	6,561,330	4,947,208	3,206,705	3,313,547
	Transient Lodging	5,827,803	5,206,418	5,241,018	6,323,906	7,183,067	7,811,884	7,415,060	8,506,762	10,592,806	10,824,410
	Restaurant Food	8,466,964	8,562,840	8,792,704	9,051,520	9,598,763	10,094,267	10,657,839	10,972,048	14,912,796	14,908,999
	Telecommunication	762,172	1,139,266	792,025	727,384	726,112	725,684	691,023	857,354	829,291	819,313
	Admissions	-	-	-	-	-	1,149,537	1,058,226	1,090,067	1,103,782	1,125,172
	Cell Phone	-	-	-	-	-	2,305,525	1,397,452	-	-	-
	Communications Sales Tax	-	-	-	-	-	-	5,318,253	12,402,256	11,268,560	11,315,541
	Other	50,987	42,507	44,528	39,266	28,428	28,931	33,024	42,225	80,723	47,081
Total		\$ 271,502,449	\$ 289,105,471	\$ 307,059,210	\$ 337,485,729	\$ 366,755,360	\$ 399,551,248	\$ 421,800,989	\$ 436,376,960	\$ 445,753,433	\$ 451,592,269

**CITY OF ALEXANDRIA, VIRGINIA**  
**Tax Levies and Collections**  
**Last Ten Calendar Years**

**Table IV**

<b>Real Property</b> <b>(Amounts in thousands)</b> Collected within the Fiscal Year of the Levy						
Calendar Year Ended December 31,	Taxes Levied for the Calendar Year*				Total Collections to date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2000	147,059	144,741	98.42%	2,301	147,042	99.99%
2001	159,186	156,748	98.47%	2,428	159,176	99.99%
2002	174,827	172,296	98.55%	2,514	174,810	99.99%
2003	199,799	196,181	98.19%	3,602	199,783	99.99%
2004	225,156	223,047	99.06%	2,091	225,138	99.99%
2005	250,180	247,166	98.80%	2,980	250,146	99.99%
2006	267,015	264,951	99.23%	1,995	266,946	99.97%
2007	282,563	279,948	99.07%	2,462	282,410	99.95%
2008	296,204	292,996	98.92%	2,520	295,516	99.77%
2009	308,330	305,691	99.14%	-	305,691	99.14%

\* Levy adjusted for changes since original levy

**Table V**

<b>Personal Property</b> <b>(Amounts in thousands)</b> Collected within the Fiscal Year of the Levy							
Calendar Year Ended December 31,	Taxes Levied for the Calendar Year				Collections in Subsequent Years	Total Collections to date	
	Total	Commonwealth Reimbursement #	Amount	Percentage of Levy		Amount	Percentage of Levy
2000	56,591	13,268	44,711	79.01%	3,677	48,388	85.50%
2001	56,957 *	20,842	48,136	84.51%	11,176	59,312	104.13%
2002	58,478	21,122	49,216	84.16%	3,880	53,096	90.80%
2003	60,472	22,915	50,576	83.64%	3,711	54,287	89.77%
2004	56,059	21,936	48,535	86.58%	3,860	52,395	93.46%
2005	58,942	22,558	50,422	85.55%	4,693	55,115	93.51%
2006	62,213	24,193	55,284	88.86%	2,746	58,030	93.28%
2007	61,974	23,849	55,247	89.15%	2,771	58,018	93.62%
2008	62,740	23,768	56,201	89.58%	2,749	58,950	93.96%
2009	60,820	24,635	54,784	90.08%	-	54,784	90.08%

\* Assessment adjusted for large sale of public service commission property to private corporation.

# Commonwealth reimbursement included in taxes levied and collections.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Real and Personal Property Tax Assessments and Rates**  
**Last Ten Calendar Years**

**TABLE VI**

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Calendar Year	Real Property (\$000)				Personal Property (\$100)				
	Residential	Commercial	Total	Tax Rate per \$100	Motor Vehicle and Tangibles Assessments	Tax Rate per \$100	Machine and Tools Assessment	Tax Rate per \$100	Total Assessment
2000	6,716,942	6,578,366	13,295,308	1.110	1,359,340	4.75	13,281	4.50	1,372,621
2001	7,573,897	7,058,452	14,632,349	1.110	1,386,141	4.75	187,217	4.50	1,573,358
2002	8,889,290	7,243,699	16,132,989	1.080	1,409,955	4.75	16,351	4.50	1,426,306
2003	11,191,850	8,034,076	19,225,926	1.035	1,459,886	4.75	20,369	4.50	1,480,255
2004	13,224,543	9,532,642	22,757,185	0.995	1,391,110	4.75	17,895	4.50	1,409,005
2005	16,272,324	11,087,326	27,359,650	0.915	1,455,520	4.75	15,009	4.50	1,470,529
2006	20,331,756	12,574,963	32,906,719	0.815	1,394,947	4.75	14,906	4.50	1,409,853
2007	20,143,403	15,411,555	35,554,958	0.830	1,426,679	4.75	11,485	4.50	1,438,164
2008	20,139,614	14,963,203	35,102,817	0.845	1,354,932	4.75	17,837	4.50	1,372,769
2009	19,152,518	14,811,680	33,964,198	0.903	1,170,972	4.75	14,246	4.50	1,185,218

Note: Property is assessed each year as of January 1. Property is assessed at actual value; therefore assessed values are equal to actual values. Tax rates are assessed per \$100 of assessed values.

**CITY OF ALEXANDRIA, VIRGINIA**

**Net Assets  
Last Ten Fiscal Years**

**TABLE VII**

	<u>2001</u>	<u>2002</u>	<u>2003<sup>a</sup></u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 181.2	\$ 118.5	\$ 160.6	\$ 119.5	\$ 100.2	\$ 105.6	\$ 170.0	\$ 231.0	\$ 153.3	\$ 248.0
Restricted for:										
Affordable Housing	-	-	-	-	-	3.0	0.3	-	-	-
Capital Projects	58.3	70.1	72.8	115.7	148.3	157.2	101.6	51.5	134.7	72.3
Unrestricted Net Assets	<u>23.9</u>	<u>103.8</u>	<u>67.9</u>	<u>67.7</u>	<u>63.9</u>	<u>81.6</u>	<u>88.7</u>	<u>60.3</u>	<u>47.0</u>	<u>57.3</u>
Subtotal Governmental Activities Net Assets	\$ 263.4	\$ 292.4	\$ 301.3	\$ 302.9	\$ 312.4	\$ 347.4	\$ 360.6	\$ 342.8	\$ 335.0	\$ 377.6
Business-type Activities Net Assets										
Invested in Capital Assets, Net of Related Debt	0.1	0.1	-	-	-	-	-	-	-	-
Unrestricted Net Assets	<u>1.2</u>	<u>0.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Business-type Activities Net Assets	\$ 1.3	\$ 1.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Primary Government										
Invested in Capital Assets, Net of Related Debt	181.3	118.6	160.6	119.5	100.2	105.6	170.0	231.0	153.3	248.0
Restricted for:										
Affordable Housing	-	-	-	-	-	3.0	0.3	-	-	-
Capital Projects	58.3	70.1	72.8	115.7	148.3	157.2	101.6	51.5	134.7	72.3
Unrestricted Net Assets	<u>25.1</u>	<u>104.6</u>	<u>67.9</u>	<u>67.7</u>	<u>63.9</u>	<u>81.6</u>	<u>88.7</u>	<u>60.3</u>	<u>47.0</u>	<u>57.3</u>
Total Primary Government Net Assets	<u>\$ 264.7</u>	<u>\$ 293.4</u>	<u>\$ 301.3</u>	<u>\$ 302.9</u>	<u>\$ 312.4</u>	<u>\$ 347.4</u>	<u>\$ 360.6</u>	<u>\$ 342.8</u>	<u>\$ 335.0</u>	<u>\$ 377.6</u>

<sup>a</sup> Recycling fund transferred to the General Fund in FY 2003

Amounts may not add due to rounding

Note: Accounting Standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) and external part



**CITY OF ALEXANDRIA, VIRGINIA**  
**Fund Balances Governmental Funds**  
**Last Ten Fiscal Years**

**TABLE VIII**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved for:										
Encumbrances	\$ 3,729,754	\$ 3,117,566	\$ 2,386,468	\$ 1,525,942	\$ 2,087,658	\$ 1,845,820	\$ 2,345,051	\$ 1,579,168	\$ 1,967,201	\$ 2,007,557
Inventories	1,278,362	1,480,168	1,537,404	1,681,593	1,970,689	2,189,185	2,347,911	1,588,472	1,891,281	1,827,459
Notes Receivable	-	-	-	-	-	-	-	-	400,000	400,000
Unreserved	55,825,487	63,630,925	54,193,856	59,589,075	58,216,836	63,343,040	67,560,766	62,320,401	49,048,509	58,806,355
Subtotal General Fund	<u>\$ 60,833,603</u>	<u>\$ 68,228,659</u>	<u>\$ 58,117,728</u>	<u>\$ 62,796,610</u>	<u>\$ 62,275,183</u>	<u>\$ 67,378,045</u>	<u>\$ 72,253,728</u>	<u>\$ 65,488,041</u>	<u>\$ 53,306,991</u>	<u>\$ 63,041,371</u>
All Other Governmental Funds										
Reserved For										
Capital Projects	\$ 49,528,043	\$ 61,806,602	\$ 63,968,631	\$ 105,611,068	\$ 126,848,380	\$ 141,395,119	\$ 83,700,361	\$ 2,691,739	\$ 101,741,783	\$ 39,286,809
Notes Receivable	1,287,340	1,558,984	1,922,984	4,227,041	4,147,198	2,015,393	1,236,283	1,204,885	2,673,806	2,650,025
Encumbrances	8,750,823	8,321,719	8,788,237	10,042,480	21,501,270	18,055,741	19,475,849	50,019,226	34,830,199	30,913,373
Unreserved Special Revenue	11,301,953	12,263,486	11,761,929	11,359,179	9,831,441	26,366,419	20,909,225	15,523,030	20,280,831	15,972,479
Unreserved Capital Projects	6,061,855	22,031,197	-	-	-	-	-	-	-	-
Subtotal All Other Governmental Funds	<u>\$ 76,930,014</u>	<u>\$ 105,981,988</u>	<u>\$ 86,441,781</u>	<u>\$ 131,239,768</u>	<u>\$ 162,328,289</u>	<u>\$ 187,832,672</u>	<u>\$ 125,321,718</u>	<u>\$ 69,438,880</u>	<u>\$ 159,526,619</u>	<u>\$ 88,822,686</u>
Total Governmental Funds										
Encumbrances	\$ 12,480,577	\$ 11,439,285	\$ 11,174,705	\$ 11,568,422	\$ 23,588,928	\$ 19,901,561	\$ 21,821,900	\$ 51,598,394	\$ 36,797,400	\$ 32,920,930
Inventories	1,278,362	1,480,168	1,537,404	1,681,593	1,970,689	2,189,185	2,347,911	1,588,472	1,891,281	1,827,459
Capital Projects	49,528,043	61,806,602	63,968,631	105,611,068	126,848,380	141,395,119	83,700,361	2,691,739	101,741,783	39,286,809
Notes Receivable	1,287,340	1,558,984	1,922,984	4,227,041	4,147,198	2,015,393	1,236,283	1,204,885	3,073,806	3,050,025
Unreserved	73,189,295	97,925,608	65,955,785	70,948,254	68,048,277	89,709,459	88,469,991	77,843,431	69,329,340	74,778,834
Total Fund Balance	<u>\$ 137,763,617</u>	<u>\$ 174,210,647</u>	<u>\$ 144,559,509</u>	<u>\$ 194,036,378</u>	<u>\$ 224,603,472</u>	<u>\$ 255,210,717</u>	<u>\$ 197,576,446</u>	<u>\$ 134,926,921</u>	<u>\$ 212,833,610</u>	<u>\$ 151,864,057</u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**2010 Tax Rates for Major Revenue Sources**

**TABLE IX**

Real Estate Tax	97.8¢ per \$100 assessed value
Personal Property Tax	\$4.50 per \$100 assessed value (machinery and tools)
	\$4.75 per \$100 assessed value (tangible personal property)
	\$3.55 per \$100 assessed value (handicap vehicles)
Utility Tax (for residential users)	15% of water service charge
	\$1.12 plus \$0.012075 of each kwh (\$2.40 maximum)
	\$1.28 plus \$0.124444 of each CCF gas delivered (\$2.40 maximum)
	\$1.28 plus \$0.050909 of each CCF gas delivered-group meter consumers) (\$2.40 maximum per dwelling unit)
	\$1.28 plus 0.023267 of each CCF gas delivered-group meter interruptible consumers (\$2.40 maximum per dwelling unit)
Utility Tax (for commercial users)	15% of first \$150 of water service charge
	\$0.97 plus \$0.004610 of each kwh delivered-commercial consumer
	\$0.97 plus \$0.003755 of each kwh delivered-industrial consumer
	\$1.42 plus \$0.050213 each CCF gas delivered-commercial/industrial consumer
	\$4.50 plus \$0.003670 of each CCF gas delivered-non-residential interruptible gas consumers
Business and Professional Licenses	
Alcoholic Beverages	\$5 - \$1,500
First year of operation:	
Gross receipts less than \$100,000	No tax due
Gross receipts of greater than \$100,000 and less than \$2,000,000	\$50
Gross receipts of \$2,000,000 or more	Same as renewal for greater than \$100,000 below
Renewal business	
Gross receipts of greater than \$10,000 and less than \$100,000:	
Any business	\$50
Gross receipts of \$100,000 or more	
Amusement and Entertainment	\$0.36 per \$100 gross receipts
Professional	\$0.58 per \$100 gross receipts
Renting of Residential Property	\$0.50 per \$100 gross receipts
Renting of Commercial Property	\$0.35 per \$100 gross receipts
Financial Services	\$0.35 per \$100 gross receipts
Personal, Business and Repair Service	\$0.35 per \$100 gross receipts
Retail Merchants	\$0.20 per \$100 gross receipts
Restaurants	\$0.20 per \$100 gross receipts
Contractors	\$0.16 per \$100 gross receipts
Wholesale Merchants	\$0.05 per \$100 total purchases
Public Utilities	
Telephone	\$0.50 per \$100 gross receipts
Telegraph	\$2.00 per \$100 gross receipts
Communication Tax	2.6% of statewide communication tax
Water, heat, electric and gas companies	\$0.50 per \$100 gross receipts
Admissions Tax	10% of admissions up to \$0.50 per person
Public Rights-of-Way Use Fee	\$0.89 per line per month
Local Sales Tax	1% added to the rate of the state retail tax imposed
Daily Rental Tax	1% on the gross proceeds excluding heavy equipment
	1.5% on the gross proceeds for heavy equipment
Cigarette Tax	\$0.80 on each package of twenty cigarettes
Transient Lodging Tax	6.5% of total amount paid for room rental plus \$1 per night lodging fee
Restaurant Meal Tax	4% on all food and drink
Recordation Tax	\$0.083 per \$100 of sales price – City (State is \$0.25 per \$100)
Grantor Deed Tax	\$0.50 per \$500 of sales price

SOURCE: Department of Finance, Revenue Administration

**CITY OF ALEXANDRIA, VIRGINIA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**TABLE X**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Assessed Value of Real Property, January 1	\$ 14,632,348,200	\$ 16,132,989,000	\$ 19,225,926,000	\$ 21,580,995,000	\$ 27,359,649,900
Debt Limit: 10 percent	1,463,324,820	1,613,298,900	1,922,592,600	2,258,099,500	2,735,964,990
Amount of Debt Applicable to Debt Limit	<u>107,875,000</u>	<u>153,925,000</u>	<u>143,615,000</u>	<u>197,520,000</u>	<u>241,890,000</u>
Legal Debt Margin	1,355,449,820	1,459,373,900	1,778,977,600	\$ 2,060,579,500	\$2,494,074,990
Debt as a Percentage of Assessed Value	0.74%	0.95%	0.75%	0.92%	0.88%
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed Value of Real Property, January 1	\$ 32,906,720,000	\$ 34,243,031,000	\$ 35,554,958,000	\$ 34,379,163,000	\$ 31,819,266,000
Debt Limit: 10 percent	3,290,672,000	3,424,303,100	3,555,495,800	3,437,916,300	3,181,926,600
Amount of Debt Applicable to Debt Limit	<u>296,540,000</u>	<u>278,525,000</u>	<u>260,350,000</u>	<u>383,950,000</u>	<u>364,485,000</u>
Legal Debt Margin	\$2,994,132,000	\$3,145,778,100	\$3,295,145,800	\$3,053,966,300	\$2,817,441,600
Debt as a Percentage of Assessed Value	0.90%	0.81%	0.73%	1.12%	1.15%

**Limitations on the Incurrence of General Obligation Debt:**

There is no requirement in the Virginia Constitution, the Virginia Statutes, or in the Charter of the City of Alexandria that the issuance of general obligation bonds of the City be subject to approval of the electors of the City at referendum.

Under the City Charter the City Council has full authority to authorize and issue general obligation bonds. The authorizing procedure consists of the passage on the first reading of an ordinance authorizing the issuance of the bonds, followed by a notice of public hearing at a subsequent meeting and the final passage on second reading following the public hearing.

The only constitutional limitation on the issuance of general obligation bonds is contained in Article VII, Section 10 of the Virginia Constitution, which states that: "No city or town shall issue any bonds or other interest-bearing obligations which, including existing indebtedness, shall at any time exceed ten percent of the assessed valuation of real estate in the city or town subject to taxation, as shown by the last preceding assessment for taxes."

**CITY OF ALEXANDRIA, VIRGINIA**  
**Ratio of Net General Debt <sup>(1)</sup> to Assessed Value**  
**and Net Debt Per Capita**  
**Last Ten Fiscal Years**

**TABLE XI**

Year	Population <sup>(3)</sup>	Assessed Value (\$000) <sup>(2)</sup>			Outstanding Debt	Outstanding Debt As Percentage of Assessed		Personal Income (\$100)	Debt Per Capita	Debt Per Capita As A Percentage of Per Capita Income <sup>(4)</sup>
		Real Property	Personal Property	Total		Real Property	Total Property			
2001	130,403	14,632,349	1,573,358	16,205,707	107,875,000	0.74	0.67	6,931,579	827	1.6
2002	129,938	16,132,989	1,426,306	17,559,295	153,925,000	0.95	0.88	7,009,871	1,185	2.2
2003	135,000	19,225,926	1,459,886	20,685,812	143,615,000	0.75	0.69	7,165,859	1,064	2.0
2004	134,000	22,757,185	1,309,443	24,066,628	197,520,000	0.87	0.82	7,435,257	1,474	2.7
2005	135,000	27,359,650	1,359,782	28,719,432	241,890,000	0.88	0.84	7,776,966	1,792	3.1
2006	138,000	32,906,270	1,409,852	34,316,122	296,540,000	0.90	0.86	8,835,057	2,148	3.4
2007	139,000	35,554,958	1,411,599	36,966,557	278,525,000	0.78	0.75	9,507,531	2,004	2.9
2008	140,879	35,102,817	1,426,679	36,529,496	260,350,000	0.74	0.71	10,204,006	1,848	2.6
2009	144,100	33,964,198	1,354,932	35,319,130	383,950,000	1.13	1.09	10,178,071	2,664	3.7
2010	150,006	31,819,266	1,170,972	32,990,238	364,485,000	1.15	1.10	10,441,443	2,430	3.4

(1) Net General Debt includes general obligation bonds and term notes.

(2) Includes real and personal property as adjusted for changes to levy.

(3) SOURCE: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis

(4) Personal Income and per capita income represents data from the United States Bureau of Economic Analysis, as revised, that is generally two years old. The two most recent years are estimated based on City estimates of per capita trends.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Overlapping Debt and Debt History**  
**June 30, 2010**

**TABLE XII**

The City of Alexandria is autonomous from any county, town, or other political subdivisions of the Commonwealth of Virginia. There is no overlapping general obligation debt or taxing powers. The water system and the sewage treatment plant within the City are operated by a private company and an independent authority, respectively, for which the City has no debt obligations.

The City has never defaulted in the payment of any part of either principal or interest on any debt.

Credit Ratings

Moody's Investors Service .....	Aaa
Standard & Poor's Corporation .....	AAA

Paying Agents

The City's coupon bonds and interest coupons are payable at the Chase Manhattan Bank, N.A., New York, New York, or SunTrust Bank in Richmond, Virginia. Registered bonds and interest are payable at the principal corporate trust office of the Chase Manhattan Bank, N.A., New York, New York, or Depository Trust Company, New York, New York, which are the Registrars for bonds of the City of Alexandria.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Ratio of Annual Debt Service Expenditures for Net**  
**General Debt <sup>(1)</sup> to Total General Expenditures**  
**Last Ten Fiscal Years**

**TABLE XIII**

<b>Year</b>	<b>Principal</b>	<b>Interest and Other Costs</b>	<b>Total Debt Service</b>	<b>General Expenditures <sup>(2)</sup></b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
2001	\$ 6,815,000	\$ 5,567,314	\$ 12,382,314	\$ 401,555,221	3.08
2002	8,450,000	7,565,996	16,015,996	452,671,072	3.54
2003	10,310,000	7,173,024	17,483,024	488,044,085	3.59
2004	10,795,000	7,887,768	18,682,768	516,275,303	3.62
2005	13,115,000	9,567,247	22,682,247	545,688,442	4.16
2006	16,350,000	10,502,282	26,852,282	623,774,871	4.30
2007	17,670,000	13,306,096	30,976,096	689,280,260	4.49
2008	18,175,000	12,344,320	30,519,320	688,844,141	4.43
2009	19,100,000	12,800,634	31,900,634	720,924,777	4.42
2010	19,465,000	15,123,463	34,588,463	705,338,251	4.90

(1) Net General Debt includes general obligation bonds

(2) Includes expenditures for School Board and Library component units

**CITY OF ALEXANDRIA, VIRGINIA**  
**Demographic Statistics**  
**June 30, 2010**

**TABLE XIV**

**Population**

<u>Calendar Year</u>	<u>Population</u>	<u>Calendar Year</u>	<u>Population</u>
1940 .....	33,523	1990 .....	111,183
1950 .....	61,787	2000 .....	128,283
1960 .....	91,023	2008 .....	140,024
1970 .....	110,938	2009 .....	144,100
1980 .....	103,217	2010 .....	151,056

SOURCE: U.S. Bureau of Census, "General Population Characteristics"

**POPULATION INDICATORS**  
**PER CAPITA INCOME\***

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Alexandria .....	\$45,956	\$48,106	\$52,125	\$52,344	\$53,711	\$58,365	\$61,147	\$65,141	\$70,632	\$72,220
Arlington .....	\$45,703	\$49,555	\$52,673	\$53,860	\$54,207	\$58,893	\$59,389	\$63,827	\$68,270	\$72,317
Fairfax (includes Fairfax City and Falls Church)	\$47,306	\$50,035	\$51,931	\$52,494	\$53,981	\$57,169	\$60,289	\$64,698	\$67,909	\$69,885
Washington MSA .....	\$35,848	\$37,777	\$40,672	\$42,404	\$43,693	\$46,311	\$48,697	\$57,746	\$62,484	\$56,510

\*The BEA has revised these numbers.

SOURCE: U.S. Bureau of Economic Analysis (BEA)

**CITY OF ALEXANDRIA**  
**UNEMPLOYMENT RATE**  
**LAST TEN YEARS**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Unemployment Rate	2.5%	3.8%	2.9%	3.2%	3.1%	2.6%	2.2%	2.9%	2.8%	4.8%

SOURCE: Virginia Employment Commission

**CITY OF ALEXANDRIA, VIRGINIA**  
**Principal Taxpayers**  
**Current Year and Nine Years Ago**

**TABLE XV**

**Private Property**

<b>Owner's Name</b>	<b>Property</b>	<b>2010 Assessed Value (In millions)</b>	<b>Percentage of Total Assessed Valuation</b>
1. LCOR Alexandria, L.L.C.	Office Buildings	\$ 890.9	2.80%
2. AIMCO Foxchase L.P.	Foxchase Apartments	263.5	0.83
3. Washington Real Estate Investment Trust	Portfolio	230.4	0.72
4. Southern Towers L.L.C.	Southern Towers Apartments	208.6	0.66
5. Lafayette Buildings LLC	Mark Center Office Buildings	206.1	0.65
6. Hoffman Buildings LP	Hoffman Office Buildings	193.8	0.61
7. CPYR Inc.	Potomac Yard Retail	156.7	0.49
8. T C Duke Street L.L.C.	Office Buildings	155.1	0.49
9. Alexandria Apartments L.L.C.	Office Buildings	152.2	0.48
10. Tishman Speyer Archstone Smith Newport	Newport Village Apartments	151.9	0.48

SOURCE: City of Alexandria Real Estate Department

<b>Owner's Name</b>	<b>Property</b>	<b>2001 Assessed Value (In millions)</b>	<b>Percentage of Total Assessed Valuation</b>
1. Carlyle Development Corporation	Vacant Land/Office Building	\$ 159.3	1.09%
2. AIMCO Foxchase L.P.	Foxchase Apartments	122.4	0.84
3. Southern Towers L.P.	Southern Towers Apartments	109.6	0.75
4. Potomac Yard Retail, Inc.	Potomac Yard Retail Center	106.4	0.73
5. SAP II-III/Stellar Housing Partnership	Oakwood Apartments	97.3	0.66
6. Commonwealth Atlanta Land, Inc.	Vacant Land/Warehouses	93.2	0.64
7. Landmark Mall, LLC	Landmark Mall	74.6	0.51
8. Laszlo N. Tauber & Associates L.P.	Office Building	69.0	0.47
9. Hoffman Buildings LP	Office Building	64.0	0.44
10. Avalon Properties, Inc.	Avalon Apartments	59.5	0.41

SOURCE: City of Alexandria Real Estate Department

**CITY OF ALEXANDRIA, VIRGINIA**  
**Principal Taxpayers**  
**Current Year and Nine Years Ago**

**TABLE XV**  
**(Continued)**

**Public Service Companies**

<b>Owner's Name</b>	<b>2010 Assessed Value (In millions)</b>	<b>Percentage of Total Assessed Valuation</b>
1. Mirant Potomac River, LLC	\$ 253.5	31.1%
2. Virginia Electric & Power Company	153.5	18.8%
3. Covanta Alexandria/Arlington, Inc.	80.8	9.9%
4. Norfolk Southern Railway Company	72.5	8.9%
5. Verizon Virginia Inc.	69.7	8.6%
6. Richmond, Fredericksburg & Potomac Railway Co	67.6	8.3%
7. Virginia-American Water Co.	47.8	5.9%
8. Potomac Electric Power Company	32.2	4.0%
9. Washington Gas Light Company	31.3	3.8%
10. T-Mobile Communications	6.0	0.7%

SOURCE: Virginia State Corporation Commission

<b>Owner's Name</b>	<b>2001 Assessed Value (In millions)</b>	<b>Percentage of Total Assessed Valuation</b>
1. Virginia Electric Power Company	\$ 109.36	0.75%
2. Bell Atlantic Virginia, Inc.	86.48	0.59
3. Norfolk Southern Railway Company	54.25	0.37
4. Richmond, Fredericksburg & Potomac Railway Co	45.62	0.31
5. Virginia American Water Company	29.34	0.20
6. Potomac Electric Power Company	27.83	0.19
7. Washington Gas Light Company	26.37	0.18
8. Jones Telecommunications of Virginia, Inc.	21.99	0.15
9. Washington DC SMSA Limited Partnership	6.22	0.04
10. American Telephone & Telegraph Co of Virginia, Inc.	2.63	0.02

SOURCE: Virginia State Corporation Commission



**CITY OF ALEXANDRIA, VIRGINIA**  
**Alexandria City School Board**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

**TABLE XVI**

<b>Fiscal Year</b>	<b>Total Enrollment<sup>(1)</sup></b>	<b>Number Receiving Free or Reduced Meals</b>	<b>Number in English as Second Language</b>	<b>Number Receiving Special Education</b>	<b>Number in Elementary School Gifted and Talented Programs</b>	<b>Number in Middle (6-8) School Gifted and Talented Programs</b>
2001	11,345	5,567	1,611	1,927	574	447
2002	11,274	5,593	1,809	1,958	547	461
2003	10,979	5,243	2,090	1,949	644	455
2004	11,104	5,525	2,412	1,999	543	470
2005	10,667	5,449	2,628	1,979	493	453
2006	10,284	5,169	2,379	1,900	436	442
2007	10,057	4,961	2,223	1,802	436	442
2008	10,557	5,012	2,083	1,786	451	435
2009	11,225	5,866	2,909	1,830	333	395
2010	11,623	6,264	2,572	1,747	451	330

SOURCE: City of Alexandria Public School System

**CITY OF ALEXANDRIA, VIRGINIA**  
**General Fund**  
**City Departments' Expenditures Detail by Function**  
**For the Fiscal Year Ended June 30, 2010**

**TABLE XVII**

	General	Judicial	Public	Public	Health and	Recreation	Community		Transit	Debt	
	Government	Administration	Safety	Works	Welfare	& Culture	Development	Education	Subsidies	Service	Total
Expenditures:											
City Council.....	\$ 483,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 483,902
City Manager.....	1,631,203	-	-	-	-	-	-	-	-	-	1,631,203
Office On Women.....	1,304,100	-	-	-	-	-	-	-	-	-	1,304,100
Citizens Assistance.....	331,484	-	213,876	-	-	-	-	-	-	-	545,360
Office of Management and Budget.....	1,102,234	-	-	-	-	-	-	-	-	-	1,102,234
18th Circuit Court.....	-	1,322,398	-	-	-	-	-	-	-	-	1,322,398
18th General District Court.....	-	52,881	-	-	-	-	-	-	-	-	52,881
Juvenile and Domestic Relations Courts.....	-	28,108	-	-	-	-	-	-	-	-	28,108
Commonwealth's Attorney.....	-	2,405,320	-	-	-	-	-	-	-	-	2,405,320
Sheriff.....	-	7,108,215	18,596,156	-	-	-	-	-	-	-	25,704,371
Clerk of Courts.....	-	1,503,428	-	-	-	-	-	-	-	-	1,503,428
Other Correctional Activities.....	-	4,049,557	1,097,599	-	-	-	-	-	-	-	5,147,156
Court Services.....	-	1,273,202	-	-	-	-	-	-	-	-	1,273,202
Human Rights.....	561,280	-	-	-	-	-	-	-	-	-	561,280
Internal Audit.....	217,445	-	-	-	-	-	-	-	-	-	217,445
Information Technology Services.....	6,413,983	-	-	-	-	-	-	-	-	-	6,413,983
Office of Communications.....	-	-	-	-	-	-	1,132,319	-	-	-	1,132,319
City Clerk and Clerk of Council.....	368,394	-	-	-	-	-	-	-	-	-	368,394
Finance.....	8,589,975	-	-	-	-	-	-	-	-	-	8,589,975
Real Estate Assessments.....	1,467,395	-	-	-	-	-	-	-	-	-	1,467,395
Human Resources.....	2,847,170	-	-	-	-	-	-	-	-	-	2,847,170
Planning and Zoning.....	-	-	-	-	-	-	8,693,065	-	-	-	8,693,065
City Attorney.....	2,294,946	-	-	-	-	-	-	-	-	-	2,294,946
Registrar.....	1,014,068	-	-	-	-	-	-	-	-	-	1,014,068
General Services.....	2,699,095	-	-	8,670,848	-	-	-	-	-	-	11,369,943
Procurement.....	873,964	-	-	-	-	-	-	-	-	-	873,964
Transportation and Environmental											
Services.....	-	-	-	24,022,679	-	-	2,285,820	-	-	-	26,308,499
Transit Subsidies.....	-	-	-	-	-	-	-	-	5,168,369	-	5,168,369
Fire.....	-	-	39,338,983	-	-	-	-	-	-	-	39,338,983
Police.....	-	-	51,980,201	-	-	-	-	-	-	-	51,980,201
Mental Health/Mental Retardation and											
Substance Abuse.....	-	-	-	-	521,429	-	-	-	-	-	521,429
Health.....	-	-	-	-	7,370,025	-	228,173	-	-	-	7,598,198
Human Services.....	-	-	-	-	9,172,505	-	-	-	-	-	9,172,505
Human Services Contributions.....	-	-	-	-	2,081,514	-	-	-	-	-	2,081,514
Office of Historic Alexandria.....	-	-	-	-	-	2,597,967	-	-	-	-	2,597,967
Recreation and Cultural Activities.....	-	-	-	-	-	18,150,627	-	-	-	-	18,150,627
Other Educational Activities.....	-	-	-	-	-	-	-	12,304	-	-	12,304
Miscellaneous.....	12,286,741	-	439,985	604,900	7,046	-	254,999	-	-	34,588,463	48,182,134
Total Expenditures.....	\$ 44,487,379	\$ 17,743,109	\$ 111,666,800	\$ 33,298,427	\$ 19,152,519	\$ 20,748,594	\$ 12,594,376	\$ 12,304	\$ 5,168,369	\$ 34,588,463	\$ 299,460,340

**CITY OF ALEXANDRIA**  
**Government Employees By Function**  
**Last Ten Fiscal Years**

**TABLE XVIII**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	290	300	303	305	304	300	300	297	273	269
Judicial Administration	109	118	119	117	120	121	120	120	120	123
Public Safety	868	887	900	910	926	929	933	936	937	930
Public Works	225	224	227	229	231	232	225	228	231	232
Library	53	52	52	54	55	55	55	55	56	55
Health and Welfare	491	492	497	511	502	509	514	515	511	510
Culture and Recreation	143	145	145	150	155	154	157	158	155	152
Community Development	64	66	67	57	57	57	55	55	59	57
Education	2,091	2,098	2,079	2,082	2,120	2,125	2,119	2,058	2,015	2,098
<b>TOTAL</b>	<b>4,334</b>	<b>4,382</b>	<b>4,389</b>	<b>4,415</b>	<b>4,470</b>	<b>4,482</b>	<b>4,478</b>	<b>4,422</b>	<b>4,357</b>	<b>4,426</b>

**Principal Employers**  
**Current Year (as of July 1, 2010 and Nine Years Ago)**

**TABLE XIX**

<b>Current Year</b>	<b>Employees</b>	<b>Nine Years Ago</b>	<b>Employees</b>
<b>LARGEST PUBLIC EMPLOYERS</b>		<b>LARGEST PUBLIC EMPLOYERS</b>	
U.S. Patent Trademark Offices	2,000-10,000	U.S. Department of Defense	7,545
U.S. Department of Defense	2,000-10,000	City of Alexandria	2,132
City of Alexandria	2,328	Alexandria Public Schools	1,837
Alexandria Public Schools	2,098	WMATA (Metro)	1,369
WMATA	500-2,000	U.S. Postal Services	794
Northern Virginia Community College	500-2,000	U.S. Department of Agriculture	605
U.S. Army	500-2,000	Northern Virginia Community College	534
<b>LARGEST PRIVATE EMPLOYERS</b>		<b>LARGEST PRIVATE EMPLOYERS</b>	
INOVA Alexandria Hospital	500-2,000	Alexandria Hospital	1,589
American Building Maintenance Co	500-2,000	Institute for Defense Analysis	792
Institute of Defense Analysis	500-2,000	Boat Owners Assoc. of the U.S.	550
Center for Naval Analysis	500-2,000	Pentagon Federal Credit Union	538
Gali Services Corporation	500-2,000		
Grant Thornton LLP	200-500		
Oblon Spivak McClelland	200-500		

SOURCE: Virginia Employment Commission  
City of Alexandria Approved Budget

**CITY OF ALEXANDRIA**  
**Operating Indicators By Function**  
**Last Ten Fiscal Years**

**TABLE XX**

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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Judicial Administration										
Civil and criminal cases processed by Clerk of Courts	5,342	49,998	4,785	5,346	5,780	5,255	5,657	5,730	5,700	5,666
Real estate documents processed	32,754	43,105	43,805	50,522	43,900	44,844	31,009	29,396	29,000	26,340
Public Safety										
Fire calls requiring emergency response	5,930	5,939	5,586	6,256	5,666	6,001	5,956	5,990	6,050	6,080
Police calls for emergency service	2,504	3,192	2,401	2,379	2,148	2,100	2,458	2,500	2,500	2,500
EMS incidents responded to	*	*	*	*	*	*	*	*	11,583	12,500
Public Works										
Sq yds of concrete sidewalks replaced	8,831	7,515	10,575	7,846	7,448	7,012	10,099	8,000	8,000	3,450
Cubic yards of leaves collected	29,500	26,750	26,750	21,075	22,650	31,000	33,600	33,000	33,000	32,001
Library										
Circulation	874,815	987,450	1,044,868	1,032,147	972,494	1,002,881	1,145,490	1,234,726	1,302,633	1,215,000
Patron visits	668,457	755,281	833,835	893,427	813,704	823,496	**	**	**	**
Number of reference questions answered	*	*	*	*	*	376,532	591,864	592,345	592,855	567,500
Health and Welfare										
Adolescent patient visits	3,366	3,380	3,049	3,211	2,961	3,005	**	**	**	**
Average monthly food stamp cases	1,022	1,100	1,206	1,530	1,658	1,637	1,675	1,675	3,294	4,098
Number of home based services	*	*	*	*	*	7,117	7,025	6,800	**	**
Adult clients served	*	*	*	*	*	3,631	3,631	3,230	3,230	2,456
Transit										
Annual Ridership	2,640,420	2,739,719	2,986,631	3,131,284	3,323,021	3,556,486	3,743,499	3,800,000	4,006,825	3,880,000
Operating cost per mile	\$ 4.30	\$ 4.51	\$ 4.80	\$ 5.13	\$ 5.72	**	**	**	**	**
Miles of service	*	*	*	*	*	1,396,590	1,462,464	1,505,000	1,534,900	1,500,000
Culture and Recreation										
Number of staff directed programs at City Recreation Centers and Playgrounds	15,900	17,365	20,437	19,128	19,154	20,500	**	**	**	**
Average cost per park facility maintained	*	*	*	*	*	*	\$ 25,246	\$ 23,018	\$ 24,512	\$ 22,671
Community Development										
Average Home rehabilitation loan	\$ 45,452	\$ 54,272	\$ 68,529	\$ 59,757	\$ 73,036	74,693	**	**	**	**
Average Home rehabilitation loan cost	*	*	*	*	*	*	\$ 68,479	\$ 69,484	\$ 32,379	\$ 61,154
Education										
Cost per pupil	*	\$ 10,862	\$ 11,914	\$ 12,918	\$ 13,670	\$ 15,871	\$ 18,232	\$ 19,341	\$ 19,078	\$ 18,003
Enrollment	11,167	11,104	10,979	10,752	10,677	10,284	10,332	10,557	11,225	11,623

\* - New indicator - Additional information will be provided as it becomes available. In FY 2007, the City reviewed and changed many operating indicators.

\*\* - Indicator no longer maintained

**CITY OF ALEXANDRIA**  
**Capital Indicators By Function**  
**Last Ten Fiscal Years**

**TABLE XX (cont)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Judicial Administration										
Number of beds at Sheltercare	14	14	14	14	14	14	**	**	**	**
Number of foster care homes	*	*	*	*	*	125	123	135	91	60
Public Safety										
Rescue apparatus	*	*	*	98	98	108	**	**	**	**
Fire vehicles	*	*	*	*	*	*	132	136	130	137
Public Works										
Paved streets	508	511	513	514	514	514	514	521	514	514
Sidewalks	320	320	321	321	321	321	321	321	321	321
Library										
Full service branches and central library	4	4	4	4	4	4	4	4	4	4
Health and Welfare										
Preventative health care sites	*	*	4	3	3	3	3	3	3	3
Transit										
DASH transit buses	49	49	49	49	57	57	57	57	62	63
Culture and Recreation										
Playgrounds	45	45	45	45	45	45	45	46	46	46
Athletic fields available for games	*	*	*	*	*	48	48	50	50	56
Acreage of park and open space	944	964	964	964	949	964	964	964	964	964
Total number of facilities maintained	*	*	*	*	*	217	217	206	235	237
Community Development										
Public housing and public housing replacement units	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Education										
Public schools	17	17	17	17	17	17	17	17	17	17

\* - New indicator - Additional information will be provided as it becomes available. In FY 2007, the City reviewed and changed many operating indicators.

\*\* - Indicator no longer maintained

SOURCE: City of Alexandria Approved Budget

# CITY OF ALEXANDRIA, VIRGINIA

## Miscellaneous Statistical Data

As of June 30, 2010

TABLE XXI

Date of Incorporation.....	1779
Date of City Charter.....	1922
Form of Government .....	Council-Manager
Number of Full-Time City Positions (Other than Schools) .....	2,328
Number of Full-Time Equivalent School Positions .....	2,098

### Land Area

15.75 Square Miles

### Elevation

2 to 240 Feet Above Sea Level

### Location

38.8210 N

77.0861 W

### Climate

Average January Temperature 34.9°

Average July Temperature 79.2°

### Transportation

Major Highways:

Capital Beltway (I-95)

I-395 (Shirley Highway)

U.S. Route 1

George Washington Memorial Parkway

Rail:

The City is served by the north-south routes of Amtrak. The Virginia Railway Express provides commuter service between Alexandria, Washington, D.C., Fredericksburg, and Manassas, Virginia. Freight lines entering the City are Conrail, CSX Transportation, and Norfolk Southern Company.

Washington Metropolitan Area Transit Authority (WMATA) provides light transit to the Washington Metro area. Four of the systems stations are located in Alexandria.

Air:

Ronald Reagan Washington National Airport is only minutes away from any location within the City.

Dulles International Airport provides international and longer domestic travel.

Ground:

The City is served by local bus service provided by the Alexandria Transit Company.

The City is served by the local and express buses of the Washington Metropolitan Area Transit Authority (METRO) and the Fairfax Connector.

Individualized service is available through privately owned taxicab fleets.

Port Facilities:

The port of Alexandria has two docks for ocean-going freighters and two major public docks. The 24-foot deep Potomac River channel runs the length of the Alexandria waterfront.

### Population

2010 Resident Population .....	151,056
Number of Households – 2009 Estimate .....	72,147
Household Size (2000 U.S. Census) .....	2.04 Persons Per Unit
2009 Population by Race (2009 U.S. Census Bureau Estimate):	
White .....	56.3%
Black.....	21.7%
Native American.....	0.2%
Asian and Pacific Islanders.....	5.7%
Multi-Racial.....	1.5%
Hispanic (All Races).....	14.7%

### 2008 Population by Age (U.S. Census Bureau Estimate):

(1-17) .....	19.5%
(18-24) .....	5.9%
(25-64) .....	64.0%
(65 +) .....	10.6%

### Registered Voters

June 2010.....	95,029
----------------	--------

### Temporary Assistance to Needy Families

(Cases) - Monthly Average, 2010.....	540
Food Stamps (Cases) - Monthly Average, 2010 .....	4,098
Medicaid (Cases) - Monthly Average, 2010 .....	7,549

### Economy

Employed Residents, June 2010 .....	91,486
Unemployed Residents, June 2010 .....	4,620
Unemployed Rate, June 2010 .....	4.8%
Washington PMSA Inflation Rate, based on Consumer Price Index, for FY 2010 .....	1.9%

**CITY OF ALEXANDRIA, VIRGINIA**

**Miscellaneous Statistical Data**

**As of June 30, 2010**

**TABLE XXI**

**(Continued)**

<b>Housing</b>	<b>2010</b>	<b>2009</b>
Total Housing Units.....	75,423	74,774
Type of Single-Family Housing		
Detached.....	9,119	9,115
Semi-Detached.....	5,612	5,601
Rowhouse.....	6,232	6,207
Condo Townhouse.....	987	960
Total Single-Family.....	21,950	21,883
Condominium Units.....	18,443	18,247
Rental Apartments.....	33,880	33,467
Public Housing and Public Housing		
Replacement Units.....	1,150	1,150
Average Assessed Value of		
Single Family Homes.....	\$612,749	\$637,154
Average Assessed Value of		
Condominiums.....	\$269,695	\$301,718
Average Market Rents		
Efficiency.....	\$962	\$1,012
1 Bedroom Apartment.....	\$1,245	\$1,284
2 Bedroom Apartment.....	\$1,624	\$1,700
3 Bedroom Apartment.....	\$2,012	\$1,844

**Communications**

Television:  
All major networks plus cable  
Local Newspapers:  
Alexandria Gazette Packet (weekly)  
Regional Newspapers:  
Washington Post  
Washington Times  
Washington Examiner  
Radio:  
50 major and minor radio stations in metropolitan area

**Miles of Streets, Sidewalks and Alleys**

Streets:	
Paved - Lane Miles.....	514
Unpaved.....	0.17
Sidewalks.....	321.6
Alleys, Paved.....	20.56

**Utilities**

Telephone.....	various
Electric.....	Dominion Virginia Power
Gas.....	Washington Gas
Water.....	Virginia - American Water Company
Sewer.....	Alexandria Sanitation Authority
Cable.....	Comcast Communications

**Public Recreation**

Acreage.....	955.90
Facilities:	
Playground Areas.....	35
Swimming Pools.....	7
Gymnasiums.....	16
Basketball Courts (outdoor).....	20
Tennis Courts.....	36
Playing Fields.....	45

**Medical Facilities**

Hospital:	
INOVA Alexandria Hospital.....	318
Nursing Homes:	
Goodwin House.....	80
Hermitage Retirement Community.....	204
Woodbine Rehabilitation & Healthcare Center.....	307
Washington House.....	55
Integrated Health Services of Northern Virginia.....	111

**Libraries**

	<b>Number</b>
Central Library.....	1
Full service branches.....	3
(Books and other materials for home use as well as electronic and print reference service)	
Local History – Special Collections I.....	1
Talking book service.....	1

**Education**

	<b>Number</b>
Public Schools:	
Elementary.....	13
Middle.....	5
High School.....	1
Parochial and Private Schools.....	11

Higher Education:

Located within the City are the Alexandria campus of Northern Virginia-Community College, Regent University, and the Episcopal Theological Seminary. Nearby institutions include George Mason, George Washington, American, Catholic, Georgetown, and Howard Universities.

**Financial Institutions**

Commercial Banks.....	14
Credit Unions.....	9

**Hotels and Motels**

	<b>Rooms</b>
Alexandria Towne Motel.....	26
Alexandria Travelodge.....	40
Best Western Old Colony Inn.....	49
Bragg Towers.....	98
Alexandria Comfort Inn.....	169
Courtyard by Marriott.....	177
Alexandria Days Inn.....	200
Embassy Suites.....	268
Extended Stay America.....	104
Hampton Inn.....	80
Hawthorn Suites Hotel.....	170
Hilton Alexandria Mark Center.....	500
Hilton Alexandria Old Town.....	241
Holiday Inn Eisenhower.....	197
Hotel Monaco.....	241
Holiday Inn Historic District.....	178
Homestead Village.....	130
Morrison House.....	45
Crown Plaza Alexandria Old Town.....	253
Residence Inn Alexandria Old Towne.....	240
Residence Inn Alexandria at Carlyle.....	181
Courtyard Alexandria Pentagon South.....	203
Sheraton Suites Alexandria.....	247
Westin Alexandria.....	319
The Lorien Hotel & Spa.....	107
Washington Suites.....	225
Total.....	<u>4,688</u>

**CITY OF ALEXANDRIA, VIRGINIA**

**Five-Year Summary of General Fund Revenues and Expenditures**

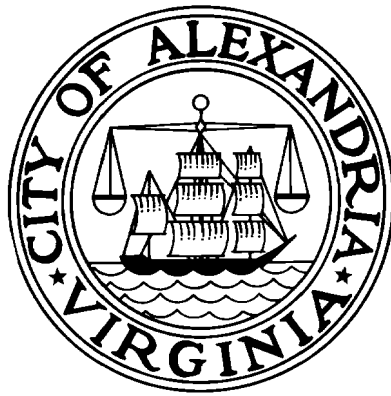
**Table XXII**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Revenues:</b>					
General Property Taxes	\$ 290,055,692	\$ 310,821,622	\$ 324,113,019	\$ 333,482,063	\$ 337,220,918
Other Local Taxes	109,495,556	110,979,367	112,263,941	112,271,370	114,371,351
Permits, Fees, and Licenses	5,372,138	5,944,363	4,764,924	4,827,422	4,811,588
Fines and Forfeitures	3,536,342	3,628,938	3,903,807	4,116,453	3,941,372
Use of Money and Property	8,190,426	9,712,862	9,044,947	4,433,015	3,033,638
Charges for Services	10,837,058	10,286,955	11,302,195	12,404,166	13,803,578
Intergovernmental Revenues	50,232,988	53,608,403	54,447,311	53,095,127	52,465,911
Miscellaneous	842,030	590,351	618,907	1,065,130	787,960
<b>Total Revenues</b>	<b>\$ 478,562,230</b>	<b>\$ 505,572,861</b>	<b>\$ 520,459,051</b>	<b>\$ 525,694,746</b>	<b>\$ 530,436,316</b>
<b>Other Financing Sources:</b>					
Operating Transfers In	\$ -	\$ 1,063,895	\$ 1,311,109	\$ 2,223,910	\$ 1,301,560
Refunding Bonds	-	22,815,000	-	-	-
Premium	-	1,448,072	-	-	-
<b>Total Other Financing Sources</b>	<b>\$ -</b>	<b>\$ 25,326,967</b>	<b>\$ 1,311,109</b>	<b>\$ 2,223,910</b>	<b>\$ 1,301,560</b>
<b>Total Revenues and Other Financing Sources</b>	<b>478,562,230</b>	<b>530,899,828</b>	<b>521,770,160</b>	<b>527,918,656</b>	<b>531,737,876</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	\$ 39,252,972	\$ 44,983,189	\$ 42,536,812	\$ 46,137,096	\$ 44,487,379
Judicial Administration	13,904,977	16,024,123	17,028,954	17,958,782	17,743,109
Public Safety	97,853,993	105,381,228	108,941,895	113,896,868	111,666,800
Public Works	30,378,866	33,072,866	34,206,948	34,755,649	33,298,427
Health and Welfare	19,350,745	20,889,031	21,058,544	20,723,663	19,152,519
Culture and Recreation	21,260,550	22,855,258	23,822,427	23,109,869	20,748,594
Community Development	8,758,008	9,219,603	13,009,454	13,840,168	12,594,376
Education	12,990	12,548	12,399	12,004	12,304
Transit	6,110,373	6,755,289	6,644,738	4,595,401	5,168,369
<b>Debt Services:</b>					
Principal Retired	16,461,681	17,729,329	18,175,000	19,100,000	19,465,000
Interest and Fiscal Charges	10,502,282	13,307,530	12,344,320	12,800,635	15,123,463
<b>Total Expenditures</b>	<b>\$ 263,847,437</b>	<b>\$ 290,229,994</b>	<b>\$ 297,781,491</b>	<b>\$ 306,930,135</b>	<b>\$ 299,460,340</b>
<b>Other Financing Uses:</b>					
Payment to Refunded Bonds					
Escrow Agent	\$ -	\$ 24,104,018	\$ -	\$ -	\$ -
Operating Transfers Out	58,296,860	47,816,337	55,343,575	50,769,720	42,940,615
Transfers Out- Component Units	151,533,567	164,032,522	174,651,343	182,702,659	179,538,720
<b>Total Other Financing Uses</b>	<b>\$ 209,830,427</b>	<b>\$ 235,952,877</b>	<b>\$ 229,994,918</b>	<b>\$ 233,472,379</b>	<b>\$ 222,479,335</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 473,677,864</b>	<b>\$ 526,182,871</b>	<b>\$ 527,776,409</b>	<b>\$ 540,402,514</b>	<b>\$ 521,939,675</b>
<b>Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>	<b>\$ 4,884,366</b>	<b>\$ 4,716,957</b>	<b>\$ (6,006,249)</b>	<b>\$ (12,483,858)</b>	<b>\$ 9,798,201</b>
Fund Balances at Beginning of Year	62,275,183	67,378,045	72,253,728	65,488,041	53,306,991
Increase (Decrease) in Reserve for Inventory	218,496	158,726	(759,438)	302,808	(63,821)
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 67,378,045</b>	<b>\$ 72,253,728</b>	<b>\$ 65,488,041</b>	<b>\$ 53,306,991</b>	<b>\$ 63,041,371</b>



**CITY OF ALEXANDRIA, VIRGINIA**  
**Summary of Total**  
**General Obligation Bonds**  
**Debt Service**  
**As of June 30, 2010**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	21,065,000	15,955,556	37,020,556
2012	22,725,000	15,024,768	37,749,768
2013	24,285,000	14,011,650	38,296,650
2014	25,195,000	12,973,544	38,168,544
2015	25,130,000	12,026,143	37,156,143
2016	25,085,000	11,020,463	36,105,463
2017	25,050,000	9,919,738	34,969,738
2018	24,995,000	8,828,426	33,823,426
2019	24,960,000	7,734,176	32,694,176
2020	22,925,000	6,652,706	29,577,706
2021	19,985,000	5,643,056	25,628,056
2022	17,155,000	4,733,356	21,888,356
2023	17,155,000	3,948,956	21,103,956
2024	13,855,000	3,154,719	17,009,719
2025	13,855,000	2,508,294	16,363,294
2026	11,815,000	1,894,906	13,709,906
2027	8,150,000	1,315,400	9,465,400
2028	8,150,000	902,475	9,052,475
2029	8,150,000	484,013	8,634,013
2030	4,800,000	136,800	4,936,800
<b>Total</b>	<b>\$364,485,000</b>	<b>\$138,869,145</b>	<b>\$503,354,145</b>



# SINGLE AUDIT



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

The Honorable Mayor and Members of the City Council  
City of Alexandria, Virginia:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria (City), a component unit of the City of Alexandria, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2010. Our report referred to the adoption of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective July 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* (the Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,



and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Also, the Auditor of Public Accounts of the Commonwealth of Virginia requires us to test the City's compliance with certain matters specified in the Code of Virginia, including budget and appropriation laws; cash and investments; conflict of interest; debt provisions, procurement; local retirement systems; unclaimed property; the Personal Property Tax Relief Act, intergovernmental revenue and agreements; state agency requirements of education; Comprehensive Services Act funds; and social services. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Specifications.

We noted certain matters that we reported to management of the City in a separate letter dated November 12, 2010.

KPMG LLP

November 12, 2010



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## **Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

The Honorable Mayor and Members of the City Council  
City of Alexandria, Virginia:

### **Compliance**

We have audited the compliance of the City of Alexandria, Virginia (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (Compliance Supplement) that are applicable to each of its major federal programs for the year ended June 30, 2010. City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to in the first paragraph above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.



A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City management, City Council, the Auditor of Public Accounts of the Commonwealth of Virginia, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

November 23, 2010

**CITY OF ALEXANDRIA, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

<b>Federal Grantor/Recipient State Agency/Program Title</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
U.S. DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Agriculture and Consumer Services (301 535-06):		
<b>ARRA National School Lunch Program</b>	10.555	\$ 265,093
Commodity Food Distribution	10.555	214,832
State Administrative Matching for Supplemental Nutrition Assistance Program	10.561	2,042,698
Commodity Supplemental Food Program	10.565	47,996
Department of Education (197 457-07)		
School Breakfast Program	10.553	698,888
<b>ARRA School Lunch Program</b>	10.555	<b>2,602,132</b>
Child and Adult Care Food Program	10.558	109,414
Summer Food Service Program for Children	10.559	102,383
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>\$ 6,083,436</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Payments:		
Administration for Children, Youth and Families		
Special Programs for the Aging _Title VII, Chapter 3	93.041	\$ 1,571
Alzheimer's Disease Demonstration Grants to States	93.051	40,427
Head Start	93.600	1,739,305
Total Direct Payments		<u>\$ 1,781,303</u>
Pass Through Payments:		
Department of Health:		
Preventive Health and Health Services Block Grant	93.991	\$ 113,332
Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	3,278
Department of Mental Health and Mental Retardation		
Block Grant for Community Mental Health Services	93.958	734,273
Projects for Assistance in Transition from Homelessness	93.150	86,770
Substance Abuse and Mental Health Services _Projects of Regional and National Significance	93.243	537
Child Care and Development Block Grant	93.575	1,204,953
Block Grant for Prevention and Treatment of Substance Abuse	93.959	963,111
Public Health & Soc Serv Emergency Fund	93.003	21
Drug Free Communities Support Program Grants	93.276	141,920
Department for the Aging:		
Special Programs for the Aging _Title III Part B Supportive Svces and Senior Centers	93.044	190,446
Special Programs for the Aging _Title III Part D _Disease Prevention and Health Promotion Services	93.043	1,840
Special Programs for the Aging Title IIIC - Nutritional Services	93.045	236,930
Department of Social Services:		
Promoting Safe and Stable Families	93.556	70,441
Temporary Assistance for Needy Families	93.558	1,593,797
Adoption Incentive Payments	93.603	1,580
Social Services Block Grant	93.667	583,392
<b>ARRA -Social Services Block Grant</b>	93.667	<b>28,057</b>
Child Welfare Services State Grant	93.645	5,851
Refugee and Entrant Assistance _ State Administered Programs	93.566	175,259
Community Services Block Grant	93.569	159,954
Low Income Home Energy Assistance	93.568	65,879
Child Care Mandatory and Matching Funds of the Childcare and Development Fund	93.596	1,674,924
Chafee Education and Training Vouchers Program	93.599	11,228
Foster Care Title IV - E	93.658	1,799,754
<b>ARRA-Foster Care Title IV - E</b>	93.658	<b>111,927</b>
Adoption Assistance	93.659	1,071,316
<b>ARRA-Adoption Assistance</b>	93.659	<b>127,690</b>
Chafee Foster Care Independence Program	93.674	36,109
<b>ARRA - Child Care and Development Block Grant</b>	93.713	<b>316,552</b>
<b>ARRA - Head Start</b>	93.708	<b>332,639</b>
<b>ARRA Aging Home-Delivered Nutrition Services for States</b>	93.705	<b>6,629</b>
<b>ARRA - Community Services Block Grant</b>	93.710	<b>191,035</b>
<b>ARRA Aging Congregate Nutrition Services for States 93.707</b>	93.707	<b>7,610</b>
Children's Health Insurance Program	93.767	76,981
Medical Assistance Program	93.778	1,256,855
Total Pass Through Payments		<u>\$ 13,382,869</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>\$ 15,164,171</u>



**CITY OF ALEXANDRIA, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Payments:			
Community Development Block Grant Program, Entitlement Grants	14.218	\$	1,675,196
Total Direct Payments		\$	1,675,196
Pass Through Payments:			
Supportive Housing Program	14.235	\$	98,150
Emergency Shelter Grants Program	14.231		43,048
Home Investment Partnerships Program	14.239		700,654
<b>ARRA Homeless Prevention and Rapid Re-Housing Program Technical Assistance</b>	14.262		<b>258,474</b>
Total Pass Through Payments		\$	1,100,326

TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		\$	<u>2,775,522</u>
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DEPARTMENT OF HOMELAND SECURITY

Pass Through Payments			
Non-Profit Security Program	97.008	2009	\$ 436,330
State Homeland Security Program	97.073	2009	90,918
Emergency Management Performance Grants	97.042	2009	12,315
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2009	160,468
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2009	1,881,950
Homeland Security Grant Program	97.067	2010	254,591
Rail and Transit Security Grant Program	97.075	2009	63,535
Total Pass Through Payments		\$	<u>2,900,107</u>

TOTAL DEPARTMENT OF HOMELAND SECURITY		\$	<u>2,900,107</u>
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U.S. DEPARTMENT OF JUSTICE

Pass Through Payments:			
Department of Criminal Justice Services (140-390-01)			
Asset Forfeiture Report	16.000	\$	186,798
State Criminal Alien Assistance Program	16.606		176,979
Juvenile Accountability Block Grants	16.523		30,103
Youth Gang Prevention	16.544		138,180
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541		37,712
Crime Victim Assistance	16.575		145,726
Violence Against Women Formula Grants	16.588		101,667
<b>ARRA V Stop Recovery Act - Violence Against Women Formular Grants</b>	16.588		<b>15,175</b>
Congressionally Recommended Awards	16.753		201,493
Edward Byrne Memorial Justice Assistance Grant Program	16.738		97,474
<b>ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Govern</b>	16.804		<b>227,290</b>
Total Pass Through Payments		\$	<u>1,358,597</u>

TOTAL U.S. DEPARTMENT OF JUSTICE		\$	<u>1,358,597</u>
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U.S. DEPARTMENT OF LABOR

Pass Through Payments:			
<b>ARRA Employee Benefits Security Administration (EBSA)</b>	17.151	\$	<b>9,639</b>
WIA Pilots, Demonstrations, and Research Projects	17.261		106,338
WIA Adult Program	17.258	54,540	
<b>ARRA WIA Adult Program</b>	17.258	<b>38,448</b>	92,988
WIA Youth Activities	17.259	58,927	
<b>ARRA WIA Youth Activities</b>	17.259	<b>38,802</b>	97,729
WIA Dislocated Workers	17.260	215,467	
<b>ARRA WIA Dislocated Workers</b>	17.260	<b>73,767</b>	289,234
		\$	<u>595,928</u>
	595927		

TOTAL U.S. DEPARTMENT OF LABOR		\$	<u>595,928</u>
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U.S. NATIONAL ENDOWMENT FOR THE HUMANITIES

Direct Payments:			
Promotion of the Humanities_Public Programs	45.164	\$	1,000

TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES		\$	<u>1,000</u>
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**CITY OF ALEXANDRIA, VIRGINIA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

U.S. ENVIRONMENTAL PROTECTION AGENCY  
Direct Payments:

Congressionally Mandated Projects	66.202	\$	115,504
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TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		\$	115,504
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U.S. DEPARTMENT OF TRANSPORTATION

Pass Through Payments:

Department of Transportation

Metropolitan Transportation Planning	20.505	\$	197,975
Highway Planning and Construction	20.205		314,299
State and Community Highway Safety	20.600		21,186
Alcohol Open Container Requirements	20.607		27,921
Total Pass through payments		\$	561,381

TOTAL U.S. DEPARTMENT OF TRANSPORTATION		\$	561,381
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U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Direct Payments:

Employment Discrimination_ State and Local Fair Employment Practices Agency Contracts	30.002	\$	46,474
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TOTAL U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		\$	46,474
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U.S. DEPARTMENT OF EDUCATION

Pass Through Payments:

Department of Education:

Title I Grants to Local Educational Agencies	84.010	\$	3,127,177
Title I State Agency Program for Neglected and Delinquent Children	84.013		51,538
Special Education Grants to States	84.027		2,111,922
Career and Technical Education-- Basic Grants to States	84.048		248,646
Special Education Preschool Grants	84.173		54,592
Safe and Drug-Free Schools and Communities_ State Grants	84.186		35,349
Education Technology State Grants	84.318		25,829
English Language Acquisition Grants	84.365		345,856
Improving Teacher Quality State Grants	84.367		230,186
School Improvement Grants	84.377		627,636
Safe and Drug-Free Schools and Communities_ National Programs	84.184		232,789
Educational Technology State Grants	84.318		9,564
<b>Education for Homeless Children and Youth, Recovery Act</b>	84.387		<b>24,949</b>
<b>Title I Grants to Local Educational Agencies, Recovery Act</b>	84.389		<b>370,290</b>
<b>State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act</b>	84.394		<b>1,699,734</b>
<b>Education Technology State Grants, Recovery Act</b>	84.386		<b>6,454</b>
<b>Special Education Grants to States, Recovery Act</b>	84.391		<b>1,248,331</b>
<b>Special Education - Preschool Grants, Recovery Act</b>	84.392		<b>3,402</b>
<b>ARRA Special Education - Grants for Infants and Families</b>	84.393		<b>408</b>
<b>ARRA- (Compensation Board) State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act</b>	84.397		<b>275,583</b>
Total Pass through payments		\$	10,730,235

TOTAL U.S. DEPARTMENT OF EDUCATION		\$	10,730,235
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U.S. DEPARTMENT OF ENERGY

Pass Through Payments:

Department of Energy:

ARRA Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	\$	78,550
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TOTAL U.S. DEPARTMENT OF ENERGY		\$	78,550
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DEPARTMENT OF DEFENSE

Community Economic Adjustment Assistance for

Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	\$	431,839
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TOTAL DEPARTMENT OF DEFENSE		\$	431,839
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OTHER FEDERAL AID

High Intensity Drug Trafficking Assessment/Evaluation	99.997		62,736
High Intensity Drug Trafficking Area	98.473	\$	131,295

TOTAL OTHER FEDERAL		\$	194,031
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TOTAL FEDERAL ASSISTANCE		\$	41,036,776
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**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2010**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards includes all federal grant activity of the City of Alexandria, Virginia and its component units during FY 2010. The City's reporting entity is defined in Note 1 of the City's Basic Financial Statements. Federal awards are received directly, as well as passed through other governmental agencies.

This schedule has been prepared on the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred.

**RECONCILIATION OF NOTES TO FINANCIAL STATEMENTS TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The City receives and expends federal revenues that are non-grant related and therefore not reportable under the Schedule of Expenditures of Federal Awards. A reconciliation of the Schedule of Expenditures of Federal Awards to Note 12 in the Notes to the Financial Statements, Intergovernmental Revenues, is provided below.

Total Federal Expenditures per Schedule	\$ 41,036,776
Non-Reportable Federal Revenue	8,448,878
Commodities Distribution	<u>(214,832)</u>
Total Federal Revenue per Note 12	<u>\$ 49,270,822</u>

**FEDERAL COGNIZANT AGENCY**

The Federal Cognizant Agency for the City of Alexandria, Virginia is the United States Department of Housing and Urban Development.

**SUBGRANTEES**

The City provided the following amounts to subrecipients during FY 2010:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>
Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	\$ 118,150
Headstart	93.600	1,739,305
Home Investment Partnership Program	14.239	34,512
ARRA – Headstart	93.708	332,639
ARRA – Homeless Prevention and Rapid Re-Housing Program		
Technical Assistance	14.262	4,500

**CITY OF ALEXANDRIA, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2010**

**Summary of Auditors' Results:**

*Financial Statements*

The type of report issued on the financial statements: Unqualified

Internal control over financial reporting

- Material weaknesses identified: None
- Significant Deficiencies identified that are not considered to be material weaknesses: None reported

Noncompliance material to the financial statements noted: None

*Federal Awards*

Internal control over major programs

- Material weaknesses identified: None
- Significant Deficiencies identified that are not considered to be material weaknesses: None reported

The type of report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: No

Major programs:

- Community Early Response Teams (97.054)
- Child Nutrition Cluster (10.553, 10.555, 10.559)
- Medicaid Cluster (93.778)
- ARRA –Homeless Prevention (14.262)
- ARRA – Adoption Assistance (93.659)
- ARRA – Income Maintenance Eligibility (93.667)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,231,193

Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: Yes

**CITY OF ALEXANDRIA, VIRGINIA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2010**

**Findings and Questioned Costs Relating to Federal Awards**

**Finding 10-1 Adoption Assistance**

**Condition** - We identified that 3 of 80 selected participants in the Adoption Assistance program were receiving unallowed benefit / maintenance subsidy payments. After further investigation, we observed the three participants had State Adoption Assistance Agreements and were not eligible to receive IV-E Adoption Assistance benefits, and should not have been paid with IV-E reimbursable funds. The 3 participants were paid benefits totaling \$3,695, and our sample of 80 program participant benefits totaled \$76,184. The total benefit / maintenance subsidy payments for FY 2010 were \$2,025,720.

**Criteria** - “The Adoption Assistance program provides funds to title IV-E agencies and federally recognized Indian tribes, Indian tribal organizations and tribal consortia with approved title IV-E plans for adoption assistance agreements with parents who adopt eligible children with special needs. Federal matching funds are provided to IV-E agencies that provide adoption assistance subsidy payments to parents who adopt certain children with special needs. (42 USC 679c(c)(1)(C)(ii)(II))”

“An adoption assistance agreement is a written agreement between the adoptive parents, the IV-E agency, and other relevant agencies (such as a private adoption agency) specifying the nature and amount of assistance to be given on a monthly basis to parents who adopt eligible special needs children. A child with special needs is defined as a child who the IV-E agency has determined cannot or should not be returned home; has a specific factor or condition, as defined by the State or tribe, because of which it is reasonable to conclude that the child cannot be adopted without financial or medical assistance; and for whom a reasonable effort has been made to place the child without providing financial or medical assistance (42 USC 673(a)(2)).”

**Cause** – There was an insufficient review of the recipients of monthly Adoption Assistance benefit / subsidy payments made and the IV-E eligibility of those recipients by program management prior to disbursement.

**Effect** – There were benefits payments made to ineligible participants during FY 2010.

**Recommendation** - We recommend that the City reemphasized its established policies and/or procedures to review appropriately the monthly benefit / maintenance subsidy payments and the eligibility case files to ensure that the participants receiving IV-E Adoption Assistance subsidy payments are eligible.

**Questioned Costs** - \$3,695

**Management’s response-** The Department has already clarified in the new payments system the two distinct adoption maintenance codes. Fiscal staff will make the accounting adjustment to reflect the appropriate funding source. OASIS (state case management system) data will be reconciled to the adoption categories in the payment system on a monthly basis. Alexandria’s Local Department of Social Services has requested VDSS’s (Virginia Department of Social Services) adoption specialist to assist in a review of these cases

**CITY OF ALEXANDRIA, VIRGINIA**  
**Summary of Schedule of Prior Year Audit Findings**  
**For the Year Ended June 30, 2009**

No findings reported in prior year



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